

MINUTES

North Dakota Public Employees Retirement System
Thursday, January 17, 2002
Fort Union Room
State Capital
Bismarck, North Dakota

Members Present:

Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Ms. Sandi Tabor
Mr. Weldee Baetsch
Dr. Terry L. Dwelle M.D., MPHTM

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Deb Knudsen, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt
Mr. Larry Brooks, BCBS
Ms. Rhonda Peterson, BCBS
Mr. Don Schott, BCBS
Mr. Tom Tupa, INASEA
Mr. Howard Snortland, AFPE
Mr. David Peske, ND Medical Association
Ms. Sharon Schiermeister, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Cheryle Masset, NDPERS
Mr. John Mongeon, Brady Martz

Mr. Gunkel is acting Chairman for this meeting. Mr. Gunkel called the meeting to order at 8:30 AM.

Minutes

Mr. Gunkel called for any questions or comments regarding the December 20, 20021 NDPERS Board minutes.

Ms. Tabor moved approval of the December 20th Board meeting minutes. Mr. Baetsch seconds the motion.

RETIREMENT

Legislation (Informational)

Mr. Collins indicated that staff has been developing a list of legislative administrative changes to our retirement statutes. The list was included in the board materials for the Boards review. concurrence Mr. Collins indicated that the next step in this process is for staff to prepare proposed legislation to bring back to the board in March.

Consultant (Board Action Requested)

Mr. Collins indicated that in 1998 PERS went out for bids on the retirement actuarial services with Teachers Fund for Retirement. The bid provided that it would be for a six-year contract, with the first two years bid included in the RFP, and the latter four years subject to renewal based upon acceptable performance and renewal cost. Enclosed with the Board material was a proposed renewal for the last two years of the six year period.

Mr. Baetsch moved to approve the renewal with Segal.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle.

Nays: None

Absent: Chairman Strinden

PASSED

DC Enrollment Update (Informational)

Ms. Knudsen indicated that the election window provided by HB1216 expired December 14, 2001. Of the pool of approximately 421 eligible individuals, 4 individuals elected to transfer to the Defined Contribution Plan. Initial calculations indicate that this group has about \$73,860.68 that is potentially transferable. This does not include 14 other individuals who experienced the regular six month window available to newly eligible individuals who elected to transfer to the Defined Contribution Plan. This election process was conducted in a manner as identical as possible to the original defined contribution election initially offered. However, PERS experienced low attendance at the educational meetings and a relatively small number of individuals elected to transfer during the second election period.

GROUP INSURANCE

Legislation (Informational)

Mr. Collins indicated that staff has identified the following areas as potentially needing to be considered by the next legislation session:

1. Political Subdivision premiums – providing authority to the Board to require a minimum employer contribution.
2. Definition of Eligible Employee – Change the definition from 17 1/2 hours per week to 20 hours per week. This would standardize the definition for all programs instead of one for retirement and one for group insurance.

3. Definition of political subdivision – Political Subdivisions are allowed to participate in PERS but no definition is provided.
4. On going eligibility – Place into statute a definition that is consistent with the considerations of the Board at the last meeting.
5. Ownership of records – Some clarification may need to be made based upon federal statute.

The next step is to put together proposed legislation for the Boards review at its March meeting.

Consultant (Board Action Requested)

Mr. Collins indicated that our contract with Deloitte & Touche for consulting assistance for the Group Insurance Program expires June 30, 2002. Deloitte & Touche was selected several years ago after going through the RFP process for a six year contract subject to renewal every two years. Enclosed in the board materials was the renewal proposal from Deloitte & Touche for the upcoming two years.

Ms. Tabor moves approval of renewing the contract with Deloitte & Touche.
Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle

Nays: None

Absent: Chairman Strinden

PASSED

Request for Proposal of Voluntary Products (Board Action Requested)

Mr. Bill Robinson for the Segal Company joined the meeting via conference call to go over the RFP. Mr. Robinson presented a timetable for this process and asked if there were any questions of the proposed RFP that were included in the board materials. Mr. Scott Miller requested that the standard state contract be added to the RFP. Mr. Miller will e-mail the standard state contract to agree to Mr. Robinson.

Ms. Tabor moves approval to move forward with the proposed time table and RFP with the standard state contract.
Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, and Tabor

Nays: None

Absent: Chairman Strinden, Dr. Dwelle

PASSED

Minimum Participation Requirements (Board Action Requested)

Mr. Collins indicated that the Board previously discussed the need to establish a minimum participation requirements for the PERS plan as a result of the actions of some political subdivisions that have recently joined the plan and have no employer contribution. This creates a situation where the PERS plan can be adversely selected. The Board asked that BCBS develop an idea for consideration; in the board materials was that suggestion. Mr. Collins also indicated that staff had done a survey of the political subdivision and asked them about the present level of participation. That survey was also in the board materials. Mr. Collins indicated that staff is suggesting that we take the BCBS suggestion and write up a memo to participating political

subdivision indicating that the Board is considering adding this requirement. Staff would ask for comments for the Boards consideration at the March meeting.

Mr. Sage moved to approve Staff's recommendation to send a memo to all participating political subdivisions.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle

Nays: None

Absent: Chairman Strinden

PASSED

Dental Enrollment (Informational)

Ms. Allen indicated that the dental annual enrollment increased by approximately 3.8% for the active and retiree groups combined.

Member Service Survey (Informational)

Mr. Larry Brooks and Ms. Rhonda Peterson, from BCBS presented the Member Service Survey that is conducted in February and August of each year. This survey is on file at the NDPERS office.

Formulary Changes (Informational)

Ms. Allen indicated that the BCBSND pharmacy committee made up of North Dakota physicians, pharmacists and BCBS staff regularly reviews all prescription drugs on the formulary list. Based on its review, the committee has removed four drugs from the formulary list effective January 1, 2002. Ms. Allen indicated that letters were sent to those NDPERS subscribers that currently use these drugs. The letter identifies the drug and the available alternative drugs that are on the formulary list. The letter also provides an appeal procedure if there is not an appropriate alternative to the prescription drug.

Wellness Benefit Program Review (Board Action Requested)

Ms. Allen indicated that at the December meeting, the Board requested that staff provide an outline of the criteria related to the administration of the Wellness benefit Program. Ms. Allen indicated that this program was initiated by the PERS Board in 1994. The program is funded out of the BCBS administrative expense fees. The program provides an incentive to our participant employers to initiate and promote on-site wellness programs for their employees. Ms. Allen indicated that the Wellness Benefit Program guidelines adopted by the Board in 1994 were in the Board material.

Ms. Tabor moved to have the 3 Board members on the benefit committee to be added to the Wellness Program Committee. For that new committee to put together the purpose and criteria for the Wellness Program and bring it back to the Board. Also until the board reviews and acts on the committees report all requests for wellness program dollars should be presented to the board for approval regardless of the amount they are requesting.

Dr. Dwelle seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Dr. Dwelle

Nays: None
Absent: Chairman Strinden
PASSED

Annual Health Care Utilization Report (Informational)

Mr. Donald Schott from BCBS presented the Annual Health Care Utilization Report. This report is on file at the NDPERS office.

Surplus Affordability Update (Informational)

Mr. Reinhardt provided an overview of the Surplus/Affordability Update to the Board.

Central Valley Health District (Board Action Requested)

Ms. Allen indicated that Chapter 54-52.1 authorizes district health units to participate in the PERS health plan. Historically, the flat rate that applies to state agency contracts also applies to health units electing to participate in the health plan. On January 1, 2002, Central Valley Health District joined the NDPERS plan. At the time they joined, they were under the assumption that the single/family rate applied to their group and the district's Board approved participation subject to this information. Central Valley Elected the EPO only option which has a single/family premium structure. PERS staff notified the health district of the error and explained the premium policy. Central Valley's Board requested the right to appeal this issue to the PERS Board.

Ms. Sharon Unruh, from central valley district appeared before the Board and indicates that Central Valley District is unable to finance health coverage for its employees based on the flat rate. The Central Valley Board approved the health plan on the single/family rate that was initially provided to them in error.

Ms. Tabor moved to allow Central Valley District to have the EPO rate through this budget cycle.

Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Tabor
Nays: None
Absent: Chairman Strinden, Dr. Dwelle
PASSED

FLEXCOMP

Enrollment (Informational)

Ms. Allen indicated that the total salary dollars redirected for the 2002 plan year compared to 2001 with dependent care -3.4% and medical spending +11.9%. The average amount pre-taxed per person for 2002 compared to 2001 with Dependent Care was up 2% and for Medical Spending was up 6.2%. The number of participants for the dependent care program decreased by 5.5% and increased for the medical spending program by 5.4%. The participation in the pre-tax premium accounts increased by 5%.

DEFERRED COMP

Provider Contracts (Informational)

Ms. Allen indicated that staff has not yet received contracts back from Bank of North Dakota, Hartford, Sunset Life and Zurich Kemper. Each of the companies have been contacted by phone, Zurich Kemper indicated that the contract is in the mail. The other 3 indicated that the amendment was being reviewed by its legal department.

Zurich Kemper 457 Plan Survey (Informational)

Mr. Reinhardt provided a brief overview of the survey of Zurich Kemper members to the Board.

MISCELLANEOUS

Audit Report (Informational)

Mr. Mongeon from Brady Martz provided an overview of the audit report to the Board. This report is on file at NDPERS office.

Annual Report (Informational)

Ms. Schiermeister indicated that the report was published in December and distributed to all employers participating in the retirement system. The report was submitted to the Government Finance Officers Association with the application for the GFOA Certificate of Excellence in Financial Reporting. The 2001 Comprehensive annual financial report was included in the board materials.

Biennial Survey Results (Informational)

This item was moved to the March Board Meeting.

Administrative Rules (Board Action Requested)

Ms. Knudsen indicated that the hearing was held on Thursday, December 13, 2001 regarding the proposed administrative rules. Ms. Knudsen indicated that there were no oral or written comments received at the hearing that were pertinent to the rules being promulgated. However, the Board directed staff to review the timetable for mailing the Summary Plan Description pursuant to comments received at the hearing. A copy of the minutes of the hearing as well as the proposed changes were provided in the board's materials. The required comment period extended through January 16, 2002. No written comments were received during the comment period.

Mr. Sage moved approval of the rules subject to staff receiving the Attorney General's approval of their legality. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage.

Nays: None

Absent: Chairman Strinden, Tabor and Dwelle

PASSED

NCPERS and Fidelity Conference (Board Action Requested)

Mr. Collins indicated that the annual National Council of Public Employees Retirement Systems conference and Fidelity's Conference is coming up this spring. In the past the Board has approved sending one or two members of the Board to this meeting.

Mr. Sage motions to approve up to two Board member to go to the NCPERS conference and up to two to go to Fidelity's Conference. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage.
Nays: None
Absent: Chairman Strinden, Tabor and Dr. Dwelle
PASSED

Mr. Gunkel calls for any other business, hearing none the meeting adjourned at 12:00 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

**North Dakota Public Employees Retirement System
Thursday, February 21, 2002
Fort Union Room
State Capital
Bismarck, North Dakota**

Members Present:

Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Ms. Sandi Tabor
Mr. Weldee Baetsch
Chairman Jon Strinden

Via Conference Call

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Arvy Smith, Health Department
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Mr. Bryan Reinhardt
Mr. Larry Brooks, BCBS
Ms. Rhonda Peterson, BCBS
Mr. Tom Christensen, BCBS
Ms. Sheila Muhle, BCBS
Ms. Kamie Kuereman, BCBS
Mr. Tom Tupa, INASEA
Mr. Howard Snortland, AFPE
Mr. David Peske, ND Medical Association
Ms. Sharon Schiermeister, NDPERS
Ms. Sharmain Dschaak, NDPERS
Ms. Rebecca Friche, NDPERS
Mr. Wayne Kinder, Job Service
Ms. Maren Daley, Job Service
Ms. Gisele Barth, NDPEA, AFT #4660

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the January 17, 2002 NDPERS Board minutes.

Ms. Tabor moved approval of the January 17th Board meeting minutes. Mr. Leingang seconds the motion.

RETIREMENT

Job Service (Board Action Requested)

Mr. Collins indicated that for the last several years PERS has administrated the Job Service Retirement Plan on an administrative services only basis. PERS processed the monthly retirement payments as directed by Job Service.

Ms. Maren Daley, Executive Director of Job Service and Mr. Wayne Kindem from Job Service appeared before the Board to request the Boards' support of legislation in the 2003 legislative session designating the NDPERS Board as the Administrator of the Retirement Plan for the Employees of Job Service North Dakota. Mr. John Garrett, consultant from the Segal Company joined the meeting via conference call. Mr. Garrett is the consultant to the Job Service plan and the PERS System. Mr. Garrett indicated that from an actuarial perspective, this would not represent any change to the current arrangement, the plan would continue to be valued based upon its provisions and the assumptions and methods as used in the last valuation. Mr. Garrett also indicated that they see no actuarial impact to either the Job Service plan or the PERS System as a result of the proposal.

Ms. Tabor motions to have Mr. Scott Miller, and Job Services Attorney review the contracts, and fiduciary responsibilities and report back to the Board in March. Also to have draft legislation prepared for review at the March meeting. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle

PASSED

Legislation Issues (Board Action Requested)

Mr. Collins indicated that staff is preparing legislation for the next session and the following issues staff is looking for guidance on:

Transfers – The EGTRAA tax act provides that participants may use pre-tax contributions to a 403(b) or 457 plans to make trustee-to-trustee transfers for the purpose of

1. Purchasing permissive service credits under the defined benefit plan or
2. Repaying contributions and earnings with respect to an amount previously refunded under a forfeiture of service credit under the plan.

It is staffs understanding from Segal that the amount of funds that can be transferred is not limited and therefore the amount of time that maybe purchased is limited only by the amount of funds available. Segal indicated that it maybe appropriate to have some limit. It was suggested that some systems limit the amount of time to 5 years in total for unqualified service.

Mr. Gunkel motions to a five (5) year lifetime limitation on unqualified service and no limitation on qualified.

Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Political Subdivisions – Mr. Miller reviewed the difficulty in determining what is and what is not a political subdivision. It is written in to Century Code in several areas and not one being consistent with the other.

Mr. Gunkel motions to leave current procedures in place. To send request that are questionable to the Attorney Generals office.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Tabor and Chairman Strinden

Nays: Leingang and Sage

Absent: Dr. Dwelle

PASSED

Pre-Medicare Rate – Mr. Collins indicate that in March of 1995 the PERS Board decided to adopt a three tier rate structure for Pre-Medicare Retiree's (single, family & family of 3 or more). The additional rate was adopted to reflect the cost for dependents and compensate the plan for this additional coverage. It was believed that a trend was developing toward more dependents in the pre-Medicare area as more people retired early. In implementing this structure it was further decided that retiree's that came from a participating employer would get the family rate even if they had 3 or more on the contract. Mr. Collins indicated that staff has reviewed this recently and that if we are going to continue to allow members from participating employers who have three or more on the contract to have the family rate we should seek clarifying language in the statute. However the other alternative is to discontinue this practice prospectively and have all members who have three or more on the contract to have that rate.

Mr. Gunkel motions to discontinue this practice prospectively and have all members who have three (3) or more in the family of 3 or more.

Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Ms. Arvy Smith, Deputy State Health Officer, had handed out a draft letter from Dr. Terry Dwelle, State Health Officer, requesting that Ms. Arvy Smith serve on his behalf due to his many responsibilities. Also to consider requesting statutory changes to allow a designee to act on behalf of the State Health Officer on the PERS Board.

Ms. Tabor motions to amend statue, include in the Administrative Bill under house keeping.

Mr. Gunkel seconds the motion.

Ayes: Gunkel, Tabor and Chairman Strinden

Nays: Baetsch, Leingang, and Sage

Absent: Dr. Dwelle

FAIL

Pre-Tax Purchase (Board Action Requested)

Mr. Collins indicated that last session the following provision was passed at the request of PERS:

Pursuant to rules adopted by the board, the board may allow a member to purchase service credit with either pre-tax or after-tax moneys, at the board's discretion.

The act also stated that the above section “becomes effective on the date the board of trustees of the public employees retirement system receives a letter ruling from the internal revenue service that section 4 of the Act does not jeopardize the qualified status of the public employees retirement system.” Mr. Collins has indicated that this was given to Mr. Miller to look into the requirements for submitting such a request. Mr. Miller has determined that it requires a level of effort that he could not provide at this time. Therefore if the Board wishes to continue we will need to get some assistance. Several options are available:

1. We could request a letter proposal from Segal, GRS (formally Wyatt), Delloitte and the attorney we used out of Washington DC.
2. We could just request that Segal do it
3. We could do a general RFP

Mr. Gunkel motions to move forward with this effort. To seek a bid from Segal to have them prepare the documents. Mr. Miller would review and sign.

Ms. Tabor seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

GROUP INSURANCE

Pharmacy Overview (Informational)

Mr. Tom Christensen, Assistant Professor of Pharmacy Practice at North Dakota State University and a Pharmacy Consultant to BCBS, Sheila Muhle, Manager of Claims Operations, BCBS and Kamie Kueneman, Clinical Pharmacist, appeared before the Board to provide an update on pharmacy issues and the clinical pharmacy program.

Employee Assistance Program (Informational)

Mr. Collins indicated that several meetings ago we reviewed with the Board that we did not have a policy relating to leave of absence for the EAP. The board asked staff to

look into developing a policy. One of the first steps in that process was to write to our EAP providers for their thoughts. Mr. Collins indicated that the next step would be to suggest that the Board consider adopting the following draft policy:

LEAVE OF ABSENCE

An employee may continue the employee assistance program (EAP) at their own expense. The agency is responsible for collecting the premium from the employee and submitting it with the monthly agency billing.

If this is acceptable staff would suggest sending it to state payroll contacts for their comments. Once that is completed staff would report all comments to the board for its consideration in making a final determination on the proposed policy.

Generic Utilization (Informational)

Mr. Reinhardt indicated that there has been a slight decrease in the use of generic drugs by the NDPERS membership. This has leveled off at 40% in the last three years. Mr. Reinhardt indicated that the use of a brand name drug when a generic is available has been cut almost in half in the ten years, but here has been a steady increase in brand name use when a generic is not available.

Quarterly Graphs (Informational)

Mr. Reinhardt provided an overview of the quarterly health utilization graphs with the board.

2001 BCBS Claims Review (Informational)

Mr. Reinhardt provided an overview of the BCBS claims review with the board.

Wellness Benefit Application (Board Action Requested)

Ms. Allen indicated that at the January meeting, the Board moved to conduct a review of the Wellness Benefit Program and directed that any future applications requesting benefits to fund an on-site wellness program be referred to the Board. Included in the board materials were an evaluation form and an application received from UND on January 28, 2002. The current guideline has been to approve the program if an applicant receives an average score of 70 out of a possible 100. The Board reviewed and evaluated the request.

Mr. Sage motions to approve the request from UND.

Mr. Gunkel seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Surplus Affordability Update (Informational)

Mr. Reinhardt provided an overview of the Surplus/Affordability Update to the Board.

Inpatient Comparison (Informational)

Mr. Reinhardt provided an overview of the 1999 comparison of NDPERS inpatient claims with the National Hospital Discharge Survey to the Board.

NDPERS Life Insurance Update (Informational)

Mr. Reinhardt provided the Board with an update on the NDPERS life insurance plan.

DEFERRED COMP

Provider Contracts (Informational)

Mr. Collins indicated that as of this date, the only provider agreements still outstanding are for Lincoln National and the Companion Plan. Lincoln has reviewed the agreement and submitted a letter. American General's legal department has completed its review of our amendment and incorporated it into its contract. Both agreements were referred to our legal counsel for review.

Provider Training Update (Informational)

Mr. Collins indicated that in December, staff conducted a series of informational meetings for deferred compensation provider representatives around the state. Nine meetings were held. Staff also put out a newsletter highlighting the EGTRRA changes that would impact the NDPERS plan and outlining the pertinent time frames that change would occur in procedures and forms. In addition, staff has scheduled additional spring training dates since some representatives are now out of compliance. In reviewing training records, staff discovered that 88 individuals who did not attend one of the trainings will need to participate in an approved training to ensure continued compliance with the provider contract. These individuals were sent a separate mailing in addition to the newsletter, reminding them of the training commitment along with the most recent copy of the Investment Options booklet.

NDPERS 401(a) Defined Contribution 4th Quarter 2001 Report (Informational)

Mr. Reinhardt provided an overview of the NDPERS 401(a) Defined Contribution 4th Quarter 2001 Report.

NDPERS 457 Companion Plan 4th Quarter 2001 Report (Informational)

Mr. Reinhardt provided an overview of the NDPERS 457 Companion Plan 4th Quarter 2001 Report.

MISCELLANEOUS

Board Election Committee (Board Action Requested)

Ms. Allen indicated that the term of retirement board member Ron Leingang expires on June 30, 2002. Pursuant to Section 71-01-02-01 of the election rules, the Retirement Board must appoint a committee of three from its membership, one of whom must be designated as chair, to oversee the election process.

Mr. Leingang motions to appoint Mr. Baetsch, Mr. Sage and Mr. Gunkel as the committee.

Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

Mr. Gunkel motions to appoint Mr. Baetsch as Chairman of the committee.

Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Informational Technology Strategic Plan (Informational)

Ms. Schiermeister indicated the staff is in process of putting together the Informational Technology Strategic Plan for the 2003-2005 Biennium. It is required of PERS to submit its plan to the Information Technology Department by March 15, 2002.

A list of the projects was included in the board materials for boards review.

Biennial Survey Results (Informational)

This item was moved to the March Board Meeting.

PERS Audit Committee Minutes (Informational)

The approved minutes from the October 16, 2001 meeting was included in the board materials for the boards review.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 1:00 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

North Dakota Public Employees Retirement System
Thursday, March 21, 2002
Blue Cross Blue Shield Office
107 West Main
Bismarck, North Dakota

Members Present:	Mr. David Gunkel Mr. Ron Leingang Mr. Howard Sage Ms. Sandi Tabor Mr. Weldee Baetsch
Via Video Conference	Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Mr. Scott Miller, Attorney General's Office Ms. Denise Curfman, NDPERS Ms. Kathy Allen, NDPERS Ms. Deb Knudsen, NDPERS Mr. Bryan Reinhardt, NDPERS
Via Video Conference	Mr. Larry Brooks, BCBS Ms. Rhonda Peterson, BCBS Mr. Howard Snortland, AFPE Ms. Chris Rundge, NDPEA Ms. Lori Laskweicz, OMB Mr. Wayne Kinder, Job Service Ms. Maren Daley, Job Service Ms. Connie Flanagan, RIO Mr. Steve Cochrane, RIO
Via Video Conference	Dr. Rice, BCBS
Via Video Conference	Dr. Robert J. Korbach

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the February 21, 2002 NDPERS Board minutes.

Mr. Leingang moved approval of the February 21st Board meeting minutes. Ms. Tabor seconds the motion.

RETIREMENT

Job Service (Board Action Requested)

Mr. Collins indicated that Ms. Maren Daley, Executive Director of Job Service and Mr. Wayne Kindem from Job Service were present to answer any questions about the proposed legislation to transfer the responsibility of the Job Service Retirement Plan to PERS. Mr. Collins indicated that on March 6th Mr. Miller met with Job Service to discuss the proposed legislation, review the plan document and the administrative agreement Job Service has with RIO for investing. Mr. Miller found that Job Service does have a comprehensive plan document; changes will need to be made to reflect the transfer. The investment methodology used by Job Service is the same as NDPERS with the exception that NDPERS is required to use RIO for the defined benefit plans where as Job Service does so by contract.

Mr. Sage moved approval to support the proposed legislation by Job Service to place the responsibility for the Job Service Retirement System under NDPERS. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle

PASSED

Annual Defined Benefit Investment Review (Informational)

Mr. Steve Cochrane, State Investment Officer, RIO, joined the Board meeting with Connie Flanagan, for the annual review of the PERS Investment Program that is administered through the State Investment Board. This review is on file at the North Dakota Public Employees Retirement System's office.

Alternate Member on the Investment Subcommittee (Board Action Requested)

Mr. Collins indicated that an alternated member needs to be appointed to the investment subcommittee. Currently the members are Mr. Baetsch, Mr. Gunkel and Mr. Sage.

Mr. Gunkel moved that Ms. Tabor serve as the investment board alternate. Mr. Baetsch seconds the motions.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle

PASSED

Employee Organization Comments (Information)

Mr. Collins indicated that previously the Board reviewed the information on the strategic direction of the Main Retirement Plan. The Board developed several draft goals and objectives. It was decided to send them to the employee organizations and invite those organizations to come to a Board meeting and share their thoughts and ideas. Mr. Howard Snortland, Association of Former Public Employees, and Ms. Chris Runge, Director of the North Dakota Public Employees Association, were present to provide the Board with their thoughts.

Mr. Snortland addressed two the following points:

1. That the asset allocation responsibility stays with NDPERS Board.
2. COLA Adjustment -to continue with the ad hoc instead of a permanent cola.

Ms. Runge addressed the following points:

1. Drug Increases – Requesting the board begin to look at what other states are doing to control drug costs in terms of drug buying pools similar to what the State of Montana is currently doing.
2. Birth Control Pills – That they feel very strongly that the birth control pills should be covered under the NDPERS plan.
3. Smoking Program – Use of the internet as a way for members to seek counseling. However they are concerned with the states computer usage internet policy that was recently sent by the IT department that indicated any agency may monitor the use of any state employees internet or there computer usage. Their concern would be with medical information being exchanged over the internet for counseling.
4. COLA adjustment – NDPEA members clearly believe that PERS needs to have a long term COLA adjustment on an annual basis. This is to preserve the buying power of the retirees. They feel that the goal that the PERS board has is a sound goal in terms of providing a COLA.
5. NDPEA does not support a straight defined contribution plan.
6. Health Insurance – NDPEA clearly believes that there should be no further erosion of state employee benefits. They would appose any increases in out of pocket expenses or any increases other then what is currently in the plan.

With that NDPEA is supporting the content of the PERS goals and objectives.

Pre-Tax Benefits (Board Action Requested)

Mr. Collins reviewed a memo from the Segal Company which provided an estimate of the cost of preparing the information necessary for submitting to the IRS for a letter determination on pre-tax purchase of service credit.

Mr. Gunkel moved for approval to move forward with this project by retaining Segal to prepare the necessary information with the estimated cost provide by Segal. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

GROUP INSURANCE

Infertility Benefits (Informational)

Dr. Rice, BCBS joined the meeting via video conference. Dr. Rice addressed the following with the Board:

- Increased cost on prescription drugs - Dr. Rice indicated that PERS would possibly see a 15 to 20% increase on drug cost.
- Infertility benefits – Shows no increase to the plan yet.
- Birth Control Drugs – BCBS is looking at offering birth control pills as a rider to employers who want it. They are also looking at it as being a covered benefit. There would be cost to the plan to add this benefit.
- Smoking Program – Dr. Rice indicated that they have looked at several programs that are currently up and running. There would be many details that would need to be worked out due to the rural areas; cost, locations and what would be covered.

Mr. Collins indicated that staff will review the administrative cost in the health insurance plan by the April meeting and report back to the board to affirm that the \$.25 is there. Then we can proceed to look at programs for the May and June meeting.

Minimum Participation (Board Action Requested)

Mr. Collins reviewed the discussion at the January board meeting relating to the need to establish minimum participation requirements for the PERS Plan as a result of the actions of

some political subdivisions to not have an employer contribution. This action creates a situation where the PERS plan could be adversely selected. At the meeting the board asked staff to send this idea to our participating political subdivisions to solicit their comments. Enclosed in the board materials are the comments that staff received back. Ms. Ronda Peterson, BCBS has contacted all the political subdivisions who had responded and indicated there was an incorrect interpretation of the proposal and after visiting with them they did understand and did not have a concern with the proposal.

Ms. Tabor moved approval of the minimum participation requirement effective May 1st for all current and new political subdivisions on the Health Plan. Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle

PASSED

Voluntary RFPs

Ms. Allen indicated that the closing date to accept the bid proposals for the voluntary dental, vision and long term care insurance products was 12:00 noon on Tuesday, March 19, 2002. Staff received 3 dental RFPs, 7 vision RFP's and no long term care.

DEFERRED COMP

Defined Contribution and Deferred Compensation Investment Guidelines & Fred Alger Fund (Board Action Requested)

Mr. Collins indicated that the investment subcommittee of the PERS Board has been working on revising the investment guidelines for the defined contribution plan and the deferred comp plan and incorporating into the guidelines the new funds for each plan that were previously approved by the Board. The proposed new guidelines were included in the board materials.

Mr. Gunkel moved approval of the new guidelines. Mr. Baetsch seconds.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

Mr. Collins indicated that the subcommittee reviewed information about the Fred Alger fund and noted that its performance had not improved and that the funds star rating had been reduced to one by Morningstar. Based up this review the committee concluded that this fund should remain closed to new participants.

Mr. Sage motioned to keeping the Alger Fund closed. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

TIAA/CREF (Board Action Requested)

Mr. Collins indicated that TIAA/CREF is interested in becoming a participating provider in the 457 plan. After reviewing our standard participation requirements they noted that they would have a problem with our requirement that any new provider must have fifty participants. They

noted that their business model does not provide for an active sales force. Mr. Collins relayed the reasons the board had established the fifty requirement. After discussion it was determined to have the Investment subcommittee look at and bring their finds back to the board at a later date.

VALIC Annual Review (Informational)

Mr. Reinhardt provided an overview of VALIC's annual review.

VALIC Final Report (Informational)

Mr. Collins indicated that the final audit of VALIC pursuant to the action plan they previously discussed with the Board was included in the board materials. Everything appears to be going as discussed and the administrative problems appear to have been corrected.

MISCELLANEOUS

Proposed Legislation (Board Action Requested)

Mr. Collins indicated that the proposed legislation is included in the Board materials.

Mr. Sage moved approval of proposed legislation. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

Mr. Collins reviewed the additional legislative changes:

Group Insurance:

1. Define eligible employee as 20 hours per week instead of 17 ½. This will standardize the definition from the retirement programs to the group insurance plan. This was reviewed with the PERS employee benefits committee and they agreed with change. Grandfather existing employees.

Retirement:

Defined Contribution Plan

1. Change the automatic cash out provision to 30 days from date of termination to 120 from date of notice of termination.

Defined Benefit Plans

1. Change confidentiality rules to allow sharing information with all beneficiaries.
2. Clarify purchases provision relating to a participating employer (an active PERS member with refunded teacher's time from a non-participating employer, the member could purchase the time according to 54-52-17.4 (1a) but if the employer (school) did participate in PERS for their non-certified staff, then the person could not buy the time.)

Retiree Health Credit

1. Clarify retiree health credit for spouse of DC participant

FlexComp

Same definition as in #1 above would apply.

Mr. Leingang moved approval of proposed changes. Mr. Gunkel seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

Mr. Collins handed out language from Segal on Includible Compensation for the deferred Comp program for consideration.

Mr. Gunkel moved to adopt it.
Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

The next two items on the agenda are confidential. These items must be discussed in an executive session. The legal authority for closing this portion of the meeting is North Dakota Century Code section(s) 44-04-19.2.

Chairman Strinden asked the members of the public who are attending the meeting to leave the room.

The meeting when into closed session at approximately 11:15 AM.

Members Present:	Mr. David Gunkel	Mr. Ron Leingang
	Mr. Howard Sage	Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden	Mr. Weldee Baetsch

Others Present:	Mr. Sparb Collins, Executive Director NDPERS
	Mr. Scott Miller, Attorney General's Office
	Ms. Denise Curfman, NDPERS
	Ms. Kathy Allen, NDPERS
	Ms. Deb Knudsen, NDPERS

Appeal 2002-002-H (Board Action Requested)

Mr. Collins indicated that appeal 2002-002-H is an appeal from a member relating to their continued coverage in the health plan. This individual was dropped for not paying their premium.

Appeal 2002-003-H (Board Action Requested)

The appellant appeared before the board indicating that his understanding of this was that he would be able to stay on the EPO and that he would have 18 months of COBRA after July 31, 2004.

After discussion of the two appeals Chairman Strinden adjourned the close session at 11:30 AM.

Chairman Strinden called regular meeting to order at approximately 11:45 AM at which time called for a motion on the appeals:

Appeal 2002-002-H –

Ms. Tabor moved to reinstate health coverage once ACH is set up.

Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Appeal 2002-003-H

Mr. Gunkel moved to denial for EPO and COBRA under state law.

Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor and Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

The next meeting has been scheduled for April 18, 2002 at BCBS Bismarck office and a possible meeting for May 9th at the capital.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 12:30 PM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board

Minutes
North Dakota Public Employees Retirement System
Thursday, April 18, 2002
Blue Cross Blue Shield Office
107 W Main
Bismarck, ND
8:30 A.M.

Members Present:	Mr. Weldee Baetsch Mr. David Gunkel Mr. Ron Leingang Mr. Howard Sage Ms. Sandi Tabor
Via Video Conference	Chairman Jon Strinden
Others Present:	Mr. Sparb Collins, Executive Director NDPERS Ms. Kim Humann, NDPERS Ms. Kathy Allen, NDPERS Ms. Deb Knudsen, NDPERS Ms. Sharon Schiermeister, NDPERS Mr. Bryan Reinhardt, NDPERS Mr. Scott Miller, Attorney General's Office Mr. Steve Cochrane, ND RIO Ms. Arvy Smith, Health Department Ms. Rhonda Peterson, BCBSND
Via Video Conference	Mr. Larry Brooks, BCBSND
Via Video Conference	Mr. John Garrett, The Segal Company
Via Video Conference	Mr. Bill Robinson, The Segal Company

Chairman Strinden called the meeting to order at 8:30 a.m.

MINUTES

Chairman Strinden called for any questions or comments regarding the minutes of the March 21, 2002 meeting.

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MS. TABOR MOVED APPROVAL OF THE MINUTES AS SUBMITTED. MR. LEINGANG SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

RETIREMENT

Law Enforcement Study (Informational)

The Legislative Employee Benefits Committee has been studying the possibility of developing a law enforcement retirement plan under PERS. They requested that PERS send the proposed legislation to The Segal Company to review the actuarial cost and obtain their technical comments. Included with the board materials was The Segal Company's response. Based upon this information, Mr. Reinhardt reviewed the incremental cost to the state based upon the present contribution level. Also included with the board materials were his findings by agency. This information will be provided to the Legislative Employee Benefits Committee at their next meeting.

Disability Contract (Board Action Requested)

Ms. Allen indicated the contract with Mid Dakota Clinic for disability consulting services expires June 30, 2002. The Board must determine whether to go out for bid or renew the present contract. Staff recommended renewing the disability consulting contract with Mid Dakota Clinic for the period July 1, 2002 through June 30, 2003.

MR. LEINGANG MOVED APPROVAL FOR RENEWAL OF THE DISABILITY CONSULTING SERVICES CONTRACT WITH MID DAKOTA CLINIC. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

GROUP INSURANCE

Summary Plan Description (SPD) Timeline (Informational)

Ms. Allen indicated included with the board materials was a preliminary schedule developed by BCBS and PERS staff for mailing the group health SPD. The upcoming 2003-05 renewal period was used as the basis for developing the schedule. The timeline itemizes the work efforts involved to produce the SPD and the approximate time associated with each task assuming it can be completed within the parameters on the schedule. The next step in this process will be to submit the schedule to BCBS executive staff for review. Staff will continue to update the Board as they progress with this project.

Heart of America HMO Contract (Board Action Requested)

Ms. Allen conveyed Heart of America in Rugby has requested to continue offering its HMO membership to state employees in their Rugby and Minot service areas. The term of this renewal is from July 1, 2002 through June 30, 2003. The single and single plus dependent rate increase is between 8 and 9% and the family rate increase is approximately 4%. A copy of their current Provider Agreement was included with the board materials. In the past years they also requested the Board to consider allowing them to expand in the Minot area and they are asking that again for the upcoming contract period. Discussion followed. The Board directed staff to explore with the BCBS the potential impact of allowing Heart of America HMO to expand into the Minot service area and report its findings back to the Board.

**MS. TABOR MOVED APPROVAL OF THE CONTRACT FOR THE RUGBY SERVICE AREA.
MR. GUNKEL SECONDED THE MOTION.**

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

RETIREMENT

Asset Allocation (Board Action Requested)

The Investment Subcommittee recommended conducting a new asset allocation study for the Main System and the Retiree Health Plan as a result of the change that has occurred in the capital markets. Mr. Cochrane, RIO, informed the Investment Subcommittee that SEI, a firm retained to manage the small cap investments, has indicated that as part of that relationship they would be willing to conduct such a study for no additional fee. Therefore, the Committee recommended using this firm. In conducting this study the firm will need to know the goals and objectives of PERS, which are currently being reviewed by the Board. One of the issues facing PERS is that the normal cost now exceeds the statutory rate. What this means is that those ideas that have an effect on the normal cost will likely need to be funded by additional contributions. By contrast, those ideas not having an effect on normal cost could be funded out of investment earnings. Mr. John Garrett, The Segal Company, joined the meeting via video conference and provided an overview of PERS Basics of Pension Funding, which is available for review at the PERS office. Discussion followed. In summary, Mr. Garrett concluded that:

- Normal costs are the ultimate cost and exist as long as actives accrue benefits;
- For the statutory rate to continue to be sufficient under the current funding policy, the amortization of the Unfunded Accrued Liability (UAL) must continue to offset the normal cost;
- The UAL is being adversely impacted by recent asset losses;
- Assuming no other sources of gains or losses other than assets, the current margin is absorbed even with 10% returns for the next five years;
- A benefit enhancement which increases the normal cost rate or the accrued liability without increasing contributions will add further pressure on asset return and may result in a long term commitment without a long term source of funding.

MR. SAGE MOVED APPROVAL FOR SEI TO CONDUCT THE ASSET ALLOCATION STUDY BASED UPON CURRENT MARKET ASSUMPTIONS AND GOALS PREVIOUSLY SELECTED. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Request for Proposals Voluntary Insurance Products (Board Action Requested)

The analysis from The Segal Company for the voluntary Dental, Vision and Long Term Care plans was included with the board materials. Mr. Collins conveyed last summer AFLAC submitted a letter to PERS requesting to be included on future bid lists. The PERS list of potential bidders was forwarded to The Segal Company. However, AFLAC contacted PERS and indicated they did not receive the RFP. Mr. Collins pointed out the RFP notice was sent to all newspapers in North Dakota. Mr. Miller, legal counsel, will also review this matter. Mr. Collins inquired whether the Board would like to address this issue with AFLAC. Mr. Bill Robinson, the Segal Company, joined the meeting via video conference and provided an overview of the results.

Group Voluntary Long Term Care (LTC)

No timely proposals were submitted for the group voluntary LTC insurance plan. The incumbent, UNUM, has agreed to continue the existing coverage at current rates and guaranteed them until January 1, 2003.

Group Voluntary Dental

Three insurance carriers, American General/United State Life Insurance, Delta Dental of Minnesota and ING Employee Benefits/Reliastar (incumbent) submitted proposals. The American General/US Life proposal was submitted by Frontier Personnel Services, Three Delta proposals were submitted, one directly from Delta and the other from Frontier Personnel Services (with commissions). Further, Delta proposed a number of

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different plan designs for both the direct and the Frontier proposals. Segal selected Plans 2 and 3 as the ones closest to the current plan design.

- ✓ ING/Reliastar quoted the existing plan of benefits at the current rates quarantined for one year. No commissions are included.
- ✓ American General/US Life proposed a plan of benefits similar to the current design without a \$10 office visit copayment) at approximately 35% above current rates, guaranteed for one year. A 2.5% commission is included in the premiums.
- ✓ Delta Dental submitted a number of plan designs (both directly and through Frontier). Plan is priced approximately 18% to 15% (through Frontier) below current rates. Its benefits are less than the current plan, but it has no waiting periods. Plan 2 which virtually duplicates the current plan design and waiting periods is priced approximately 12% to 16% (through Frontier) over current and renewal rates with ING/Reliastar. All Delta rates are guaranteed for two years. Delta plans feature a participating provider network, which requires the participant to pay dental fees above the UCR allowance ("balance billing")

The video conferencing link to The Segal Company was disconnected.

MR. LEINGANG MOVED TO AWARD THE DENTAL PLAN TO THE CURRENT CARRIER, RELIASTAR. MS. TABOR SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

MS. TABOR MOVED TO RECONSIDER THE PREVIOUS MOTION AND REQUEST AFLAC TO SUBMIT A BID FOR THE VOLUNTARY INSURANCE PRODUCTS BY THE NEXT REGULAR BOARD MEETING. MR. GUNKEL SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

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Nays: None

Absent: Dr. Dwelle

PASSED

MS. TABOR MOVED TO RESCIND PRIOR ACTION OF AWARDING THE DENTAL PROGRAM TO RELIASTAR AND TO TABLE ANY FURTHER ACTION UNTIL THE NEXT REGULARLY SCHEDULED BOARD MEETING. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Smoking Program (Informational)

Staff reviewed the administrative expenses and projected them to the end of the biennium. It was determined that administrative expenses will be met without having to use the smoking cessation funds. Staff will move forward with developing some ideas for the Board's consideration on how to offer such a program during the last year of the biennium.

Employer Participation Agreement (Informational)

Included with the board materials was the amended Employer Participation Agreement incorporating the minimum participation requirements in Section III. This agreement will be used for new political subdivisions requesting participation beginning May 1, 2002. PERS and BCBS staff have a meeting scheduled to discuss the implementation of this policy for existing political subdivisions and the ongoing procedures to monitor compliance on an ongoing basis. Staff recommended approval of the amended Employer Participation Agreement.

MR. SAGE MOVED APPROVAL OF THE EMPLOYER PARTICIPATION AGREEMENT.

MR. BAETSCH SECONDED THE MOTION.

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Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Surplus Affordability Update (Informational)

The February surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

Quarterly Health Graphs (Informational)

The quarterly health utilizations graphs for the 4th quarter of 2001 were included with the board materials. The trends appear to have a slight increase to them.

DEFERRED COMPENSATION/DEFINED CONTRIBUTION

TIAA/CREF (Board Action Requested)

At the last board meeting the Board requested the Investment Subcommittee to review the letter received from TIAA/CREF. The Investment Subcommittee recommended that TIAA/CREF be required to meet the established participation requirements (including the 50 participants). The Investment Subcommittee also suggested that PERS offer to provide notice to our members in the newsletter of the interest of TIAA/CREF and a contact person listed who may assist them in getting the required 50 participants. However, before providing this notice, a signed contract must be executed to ensure that all the other requirements could be met. The Investment Subcommittee recommended this format be followed for any other provider that is interested in participation.

MS. TABOR MOVED APPROVAL THAT TIAA/CREF BE REQUIRED TO MEET THE ESTABLISHED PARTICIPATION REQUIREMENTS. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Plan Documents (Board Action Requested)

Included with the board materials for review and approval by the Board were the Plan Documents for the PERS Companion Plan, the Deferred Compensation plan and the 401(a) Defined Contribution plan. These documents were recently updated for the EGTRRA changes; however, Congress recently passed the Economic Stimulus Package that had additional changes. Staff recommended approval of the plan documents.

**MR. GUNKEL MOVED APPROVAL OF THE PLAN DOCUMENTS. MS. TABOR
SECONDED THE MOTION.**

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

EGTRRA & Administrative Rules Update (Board Action Requested)

An update of the EGTRRA action plan was included with the board materials. Several new tasks were added relating to the implementation of the economic stimulus action. Most of the tasks have been completed. Also included was a first draft of the revised Administrative Rules for the Deferred Compensation plan. The Administrative Rules that conflicted with EGTRRA were repealed with those changes effective April 1, 2002. The second step was to develop new Administrative Rules once the new procedures were developed in response to EGTRRA. Many of the new procedures and processes relating to the administration of the program have been reflected in the Plan Document. Staff proposed that the Administrative Rules be maintained and promulgated relating to those areas not covered in the Plan Document. Specifically these areas are: PERS Board Responsibilities, Employer Responsibilities and Provider Responsibilities. This first draft was submitted for review to determine if this approach of coordinating the Plan Documents and Administrative Rules in this

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manner was acceptable. Staff recommended approval of the approach for coordination of the Plan Documents and Administrative Rules.

MR. SAGE MOVED TO APPROVE THE APPROACH FOR COORDINATING THE PLAN DOCUMENT AND ADMINISTRATIVE RULES. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Defined Contribution & Deferred Compensation Booklets (Informational)

The Summary Plan Documents for the Deferred Compensation and Defined Contribution Plans were included with the board materials. These publications were updated to incorporate the EGTRRA regulations as well as administrative changes.

Provider Representative Training (Informational)

Ms. Knudsen indicated at a previous board meeting staff informed the Board that although provider trainings conducted in the fall of 2001 were well attended, there was still a substantial number of provider representatives who have not satisfied the training requirements provided in the NDPERS administrative contract. In February staff sent letters to the home office contacts for each provider company, citing the contractual requirements and including a list of representatives not in compliance with the contract. This letter also asked that any alternate training programs be submitted for board approval by March 18, 2002. No alternate proposals were received by the PERS office. However, one provider did send a letter to its representatives informing them of the requirement. Ms. Knudsen updated the Board on the status of the provider representative attendance at the provider trainings which were held in April. Ms. Knudsen indicated staff will be sending a Notice of Intent to Suspend Active Provider Status to any provider company who had representatives who have not met the contractual requirements and request their responses for the Board's

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review by the next regularly scheduled meeting. The Board indicated its concurrence with this approach.

457 Plan Survey (Informational)

Mr. Reinhardt provided a brief overview of the survey results of Waddell & Reed members to the Board. Ms. Tabor requested staff to follow up with Waddell & Reed on the results of this survey.

MISCELLANEOUS

E-Business Consultant (Board Action Requested)

Ms. Schiermeister indicated the agency's budget for 2001-2003 included funding for projects to allow members and employers to access benefit information and complete certain benefit forms by using either an Interactive Voice Response (IVR) phone system or the Internet. She conveyed this was one of the larger and more complex IT projects that PERS has undertaken. Staff will be working with ITD on this project who also has limited experience with projects of this nature. Therefore, staff requested approval to retain L.R. Wechsler, an outside consultant, to participate in the development requirements for the project and to develop an action plan. Once the plan is developed, the internal IT staff will be used to manage this project. The proposal from L.R. Wechsler was included with the board materials. Discussion followed.

MS. TABOR MOVED APPROVAL TO RETAIN L.R. WECHSLER, LTD. MR. BAETSCH SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Information Technology (IT) Strategic Plan (Informational)

Ms. Schiermeister reviewed the agency's Information Technology Plan that was submitted to ITD on March 15, 2002. The plan provides an overview of the

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agency's IT accomplishments for the past 2 years and the proposed IT activities for the next 2 years. The plan also includes the IT goals and objectives, which were taken directly from the agency's business plan.

Quarterly Consulting Report (Informational)

Per the Board's request, Ms. Schiermeister compiled a list of consulting, investment and administrative fees paid to the consultants during the quarter ended March 31, 2002. In the future, this information will be provided to the Board on a quarterly basis.

Biennial Survey Report (Informational)

Mr. Reinhardt reviewed the results of the 2001 survey of NDPERS Benefits. The survey results are on file and available for review at the NDPERS office.

Executive Director's Review (Board Action Requested)

The Board conducts their review of the Executive Director each year. In the past, the Board has appointed several members to lead the review. Included with the board materials was the format that has been used in previous years and an alternate format that was developed last year by Mr. Leingang and Mr. Baetsch. By general consensus, the Board agreed to use the format has been used in previous years for the Executive Director's evaluation this year and to use the alternate format for next year's evaluation.

MS. TABOR MOVED TO APPOINT MR. BAETSCH AND MR. LEINGANG TO SERVE AS A COMMITTEE FOR COORDINATING THE EVALUATION OF THE EXECUTIVE DIRECTOR. MR. SAGE SECONDED THE MOTION.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Chairman Strinden

Nays: None

Absent: Dr. Dwelle

PASSED

Next Board Meeting

The next board meeting was scheduled for May 23, 2002.

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Chairman Strinden called for any other business or comments. Hearing none, the meeting was adjourned at 11:45 a.m.

Prepared by,

Kim Humann

Administrative Assistant

MINUTES

North Dakota Public Employees Retirement System
Thursday, May 30, 2002
Blue Cross Blue Shield Office
107 West Main
Bismarck, North Dakota

Members Present:

Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Mr. Weldee Baetsch
Chairman Jon Strinden

Via Video Conference

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Ms. Arvy Smith, Health Department
Mr. Tom Tupa, INASEA,
Ms. Rhonda Peterson, BCBS
Via Video Conference Mr. Larry Brooks, BCBS, Fargo
Mr. Bill Robinson, The Segal Company, Denver

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the April 18, 2002 NDPERS Board minutes.

Mr. Leingang moved approval of the April 18th Board meeting minutes. Mr. Gunkel seconds the motion.

RETIREMENT

Health Credit Factors (Board Action Requested)

Mr. Collins provided an update on the implementation of age-based tables for Joint and Survivor benefits that the Board approved last year. Mr. Collins also indicated that Segal provided additional tables for the Level Income Social Security retirement options. Currently NDPERS Administrative Code only allows members to elect this retirement option and draw their social security at either 62 or at Social Security's Normal Retirement Age. The Administrative Code does not allow for a member to elect the Level Income Social Security option and start drawing Social Security benefits at 63 or 64.

Segal provided NDPERS with tables for the age 63 and 64 options. This would allow NDPERS members to elect the Level Income Social Security option and draw retirement benefits from Social Security at either age 62, 63, 64, or Normal Retirement Age. This expands the member's choices under this retirement option.

Mr. Gunkel moved approval of the Level Social Security tables and for staff to move forward with changing the Administrative Code for the Level Income Social Security Benefit. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage, and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

Defined Contribution Goals (Informational)

Mr. Collins indicated that our DC members are provided with a well diversified set of investment options; NDPERS monitors those options on a regular basis, they are provided with quarterly reports to let them know how their asset allocation is performing and they are supplied with general information session/information on financial planning and investing. With all of this being done staff felt that additional specific information on setting retirement goals may be helpful. To assist with this effort staff indicated they will be sending out a letter and worksheet to all our DC plan members. This is to encourage them to actively set their goals, plan how to get their and fund their retirement at an adequate level to meet there goals.

Private Letter Ruling (Board Action Requested)

Mr. Collins reviewed the draft private letter ruling and indicated that the next step is to have the Attorney General's Office review the draft and if acceptable it would be submitted to the IRS.

Mr. Gunkel moved approval to submit draft to the Attorney Office for review and incorporate any changes suggested by the office and send to the IRS. Mr. Sage seconds the motions.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle, Tabor

PASSED

Interest Calculation (Board Action Requested)

Ms. Schiermeister indicated that NDCC 54-52-06 provides PERS with the authority to assess interest at the actuarial rate of return when an employer does not pay retirement contributions when they are due. NDCC 54-52-17.4(4) defines the cost for purchasing service credit as the higher of the actuarial cost to the fund, or the refund amount the member received, plus interest at the actuarial rate of return from the time the member was issued the refund. The actuarial

rate of return is an assumption used in the annual actuarial valuation and is currently 8% per year. Staff is looking for clarification on whether the actuarial rate of return should be applied as simple interest or compounded when calculating amounts due to PERS. Staff contacted The Segal Company and they indicated that the actuarial rate of return is intended to be a compounded rate. Staff also checked with Scott Miller and he determined that the Board can make an interpretation of what the actuarial rate of return is. He also indicated that NDCC 47-14-09(1) states that interest can not be compounded on loans or past due amounts which directly addresses the past-due retirement contributions.

Mr. Baetsch moved to use compounded. Mr. Gunkel seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

GROUP INSURANCE

RFP's Voluntary Insurance Products (Board Action Requested)

Mr. Bill Robertson from Segal joined the meeting via video conference to answer any questions. Mr. Collins indicated that staff has examined the information provide in the proposal process as it relates to the criteria and offered their observations on the dental, vision and LTC plan.

The board reviewed and discussed each program individually.

Dental:

Mr. Gunkel moved approval of staff recommendation as follows:

1. To invite both ING and Delta to make a presentation at the June 20 board meeting (approximately 20 minutes each).
2. To give both carriers a series of sample claims and have them tell us how they would be processed to further explore the adequacy of the coverages based upon the above approach. We would have this information prepared and analyzed for your consideration at the next meeting.
3. To have staff and maybe a Board member to do a site visit of Delta.
4. To have the broker come in for 15 minutes to discuss the additional benefits of selecting his proposal.

Mr. Sage seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle and Tabor

PASSED

Vision:

Mr. Gunkel moved approval of staff recommendation as follows and invite Eye Med and Superior as well:

- i. Inviting both Ameritas (this proposal was submitted through a North Dakota broker) and VSP to the June Board meeting,
- ii. Staff would have conference call with both carriers prior to the meeting to review the administrative requirements, and
- iii. We would discuss with them offering a discount plan in addition.

Mr. Sage seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.

Nays: None
Absent: Dr. Dwelle and Tabor
PASSED

Long Term Care:

Mr. Baetsch moved approval of staff recommendation of renewing the contract with UNUM and to continue discussion with UNUM of offering only a two year plan in the future.

Mr. Sage seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.
Nays: None
Absent: Dr. Dwelle and Tabor
PASSED

Heart of America HMO (Board Action Requested)

Mr. Collins indicated that at the last board meeting, the board discussed the application of Health of America HMO and the request to expand its services to the Minot area. The Board requested staff to ask BCBS if this would affect the existing contract since it was not a part of the renewal. BCBS response was provided in the board materials. It is their conclusion that approving the application may change the assumptions used for our renewal thereby giving them the opportunity to adjust the premiums.

Mr. Sage moved to disapprove the Heart of American HMO application for the Minot area at this time. Mr. Gunkel seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.
Nays: None
Absent: Dr. Dwelle and Tabor
PASSED

Health Plan Review (Board Action Requested)

Mr. Collins indicated that over the last several months the PERS Benefits Committee has met several times concerning the health insurance plan. These discussions have focused on the *health plan design* and the *scope of benefits*. *Health plan design* refers to the deductibles, co-payments and co-insurance. *Scope of benefits* refers to the range of services covered and how they are reimbursed. Mr. Collins summarized the information developed and reviewed as part of this effort. Mr. Collins indicated that staffs recommendation is to move forward with the renewal by taking the following two steps:

1. Submit the plan designs developed by the benefits committee to BCBS and Deloitte.
2. Concerning the scope of benefits that those items ranked 1 through 5 and 15 be carried forward and costs as part of the renewal for the Boards further consideration in August.

Mr. Gunkel moved approval of staffs' recommendation with the addition on #7 Prescription drugs for nicotine addiction. Mr. Leingang seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden.
Nays: None
Absent: Dr. Dwelle, Tabor
PASSED

Health Insurance Portability and Accountability Act of 1996 (HIPAA) (Informational)

Mr. Collins indicated that HIPAA has more applicability to PERS than initially anticipated. Mr. Collins provides the Board with the following plan to bring PERS into compliance:
There has been four task forces formed internally, they are:

1. Privacy and confidentiality
2. Transactions
3. Security
4. Contracting

The privacy group will examine the HIPAA privacy requirements and the confidentiality requirements in state law relating to PERS (NDCC 54-52-26, 54-52.1-11, 54-52.1-12 & 54-52.3-05). The goal of this group will be to bring the agency not only in compliance with HIPAA but also to review our procedures relating to state law and to develop a single operating procedure across the agency for all programs.

The security group will also conduct a review to not only comply with HIPAA but also assess our security procedures across all our programs. As with the privacy group the goal will be to develop a single set of procedures for the entire agency and all our programs.

The transactions group will look at how we will need to modify our procedures in this area. At this point our primary area of concern is how we transmit the enrollment and premium information to BCBS each month.

The contracting group will look at the contracts we have in place and develop appropriate amendments. Contracts to be examined will be the ones with our participating political subdivisions, BCBS, the dental carrier, the EAP's and our consultants.

Mr. Collins also indicated that our working groups will be supported by the Attorney's General's office and ITD. Mike Mullens is the new special assistant attorney general who is specializing in HIPAA and Jennifer Kuntz is the state HIPAA Coordinator at ITD. We have also started working with BCBS.

Blue Cross Blue Shield Member Services Survey (Informational)

Ms. Peterson of BCBS presented a brief overview of the survey for the Board.

Surplus/Affordability Update (Informational)

The May surplus projection and affordability analysis for the NDPERS group medical plan were included with the board materials.

Devils Lake EPO (Informational)

Ms. Allen indicated that recently Altru Clinic Health System in Grand Forks purchased Lake Region Clinic in Devils Lake. As a result, the Lake Region Clinic is now a part of the Altru EPO network. Ms. Allen also indicated that NDPERS will be sending out EPO open enrollment information to the home addresses of state agency and participating political subdivision employees residing within a 50-mile radius of Devils Lake. Since this area has never been in our EPO network, it has not been included in our annual enrollment site meeting schedule. Therefore, we will conduct site meetings to ensure the employees have the benefit of this presentation to make an informed decision. Our deadline for submitting applications is June 15. However, due to the timing of this development, this has been extended for the Devils Lake area.

DEFINED CONTRIBUTION AND DEFERRED COMP

EGTRRA (Board Action Requested)

Mr. Collins indicated that at the last meeting the board reviewed staffs efforts relating to the implementation of the new EGTRRA provisions. Several items were identified as awaiting guidance from the IRS. At the meeting it was suggest that we follow-up with Segal to determine the status of these areas. Staff received the following response from Mr. Crane at Segal.

It doesn't appear that there will be any significant additional guidance from the IRS in the near future on the issue of how plans can and should accept rollover contributions into their plans. However, as the matter has been discussed by plan sponsors, consultants, and vendors, the mechanisms for administering roll-in accounts appear to be relatively manageable and there are no longer appear to be reasons for delaying adding roll-in account features where appropriate for each of the plans. The major mechanisms appear to be primarily related to verification of plan type source (i.e., 401, 457, 401k, 403b, regular IRAs) and appropriate separate accounting for purposes of plan design and application of 10% early withdrawal penalties.

Mr. Crane did indicate in a telephone conversation that the proposed new 457 rules issued by the IRS do have some wording that has confused one issue relating to transfers. Specifically it has been understood that if an individual does a rollover to a new plan that those funds would be available to the member at any time. The new rules imply that if it is rolled over those funds would not be available until termination. Consequently, we will need to address this issue if it is decided to move forward in this area.

Mr. Sage moved approval of staff recommendation to move forward with implementing the rollover provision. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Sage and Chairman Strinden.

Nays: None

Absent: Dr. Dwelle, Leingang and Tabor

PASSED

NDPERS 401(a) Defined Contribution 1st Quarter 2002 Report (Informational)

Mr. Reinhardt provided an over view of the report for the board.

NDPERS 401(a) Defined Contribution 1st Quarter 2002 Report (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Lincoln 457 Provider Survey (Informational)

Mr. Reinhardt provided an over view of the survey for the board.

NDPERS Deferred Compensation Survey (Informational)

Mr. Reinhardt provided an over view of the survey for the board.

MISCELLANEOUS

Legislative Employee Benefits Committee (Board Action Requested)

Mr. Collins indicated that the Legislative Employee Benefits Committee met on May 6, 2002. The purpose of the meeting was to review all proposed legislation that was submitted by April 1st deadline. Mr. Collins indicated that the retirement bills will go to Segal and the group insurance bills will go to Deloitte and Touche. Mr. Collins indicated that bill #18 submitted by Representative Wald is the same as the one submitted last session relating to offering the Defined Contribution option to all state employees. Last session we had Segal do the technical analysis of this bill and Watson Wyatt do the actuarial work. Watson Wyatt's public sector

practice has since been purchased by Gabriel Roder and Smith (GRS). The board discussed following the same review procedures as last time. The board also discussed supplementing the review with an assessment of the adequacy of the defined contribution plan benefits.

Mr. Sage moved approval to have GRS update the actuarial work for Bill #18 and Segal do the technical. Also seek proposals from GRS and Segal concerning an expanded examination of the issue of pension adequacy for the DC plan. Mr. Gunkel seconds the motion.

Ayes: Gunkel, Leingang, Sage and Chairman Strinden.

Nays: Baetsch

Absent: Dr. Dwelle and Tabor

PASSED

NDPERS Wellness Benefit Application (Board Action Requested)

Ms. Allen indicated that NDPERS has sponsored a "Health and Wellness Fair" during Employee Recognition Week for the last seven years. The Board has helped to support this effort by approving our request for a wellness benefit to help offset the cost of the preventive services. Staff is estimating 250-300 participants to participate. In 2001 NDPERS arranged with PrimeCare to conduct cholesterol and glucose screenings and wishes to provide the same services in 2002. NDPERS is requesting a wellness benefit of \$2,500 to cover the remaining expenses of these services.

Mr. Gunkel moved approval of staff recommendation to approve the wellness application. Mr. Leingang seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Paperless Board Materials (Board Action Requested)

Ms. Curfman indicated the strategic plan that the Board adopted in February called for staff to identify options for paperless board materials. The following are the options developed by staff:

1. Provide the information on the web for each Board member to down load and print what they feel is needed for comments etc. at the meeting. All of the information would be available at the meeting;
 - a. via projection.
 - b. each board member would have a monitor to view the materials.
2. Provide each board member with a laptop to down load the board materials from the web and to use at each board meeting.
3. Provide each board member with a CD of the board materials.
4. Continue with our current method of providing board materials.

The Board discussed the above options

Mr. Gunkel moved to continue with our current method of providing board materials. Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

Health Care Discussions (Informational)

The most recent Health Care Discussions newsletter from BCBS has been included in the board materials.

PERS Audit Committee Minutes (Informational)

The approved minutes from the January 23, 2002 meeting was included in the board materials for the Boards review.

Salary adjustment for Executive Directors (Board Action Requested)

Mr. Baetsch indicated that the committee has completed and tabulated the performance evaluation for Mr. Collins based on input from each Board member. Mr. Baetsch indicated that Mr. Collins received very positive ratings. Mr. Baetsch indicated that in considering the salary increase the committee reviewed salary surveys of comparable positions in other State governments using the MOSSERS Salary survey. Committee utilized the states with six billion dollars or less in assets from the MOSSERS Survey. Twelve states fit this category. Based on the survey data, the committee is proposing the following recommendation:

A \$35 per month increase in Mr. Collins monthly salary effective July 1, 2002, followed by a labor market adjustment of 10% on January 1, 2003.

Mr. Sage moved approval of committee recommendation of a \$35 per month increase effectively July 1, 2002 and a labor market adjustment of 10% on January 1, 2003. Mr. Gunkel seconded the motion.

Ayes: Baetsch, Gunkel, Leingang, Sage and Chairman Strinden

Nays: None

Absent: Tabor and Dr. Dwelle

PASSED

The next meeting has been scheduled for June 20, 2002.

Chairman Strinden calls for any other business, hearing none the meeting adjourned at 11.22 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

**North Dakota Public Employees Retirement System
Thursday, June 20, 2002
Missouri River Room
State Capital
Bismarck, North Dakota**

Members Present:

Chairman Jon Strinden
Mr. David Gunkel
Mr. Ron Leingang
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor
Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Sharon Schiermeister, NDPERS
Mr. Michael Cote', The Segal Company, Denver
Mr. Howard Snortland, AFPE
Ms. Tracy Thomas, NDOA

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the June 20, 2002 NDPERS Board minutes.

Mr. Gunkel moved approval of the June 20th Board meeting minutes. Mr. Baetsch seconds the motion.

DENTAL PROPOSALS

Staff Review

Mr. Collins indicated pursuant to the action at the last board meeting staff had sent a supplemental request for information to all vendors. This request related to additional information concerning the administrative requirements and benefit provisions. Mr. Collins indicated that all vendors responded.

Discussion followed regarding the history of the current dental plans premiums, participation, adequacy of the coverages and ease of administration between ING and Delta.

Mr. Mike Cote, Consultant with the Segal Company was present to answer any questions on the interview and RFP's.

Delta Dental –

Mr. Christopher Baldwin and Mr. Jack Sattler of Delta Dental provided the Board with a presentation for the Boards consideration of Delta Dental program as the new dental plan.

Mr. DJ Braun appeared before the Board as a local broker who submitted a RFP with Delta Dental. Mr. Braun provided a brief biography on himself and his business for the Board to consider him as the agent for the dental program.

ING Employee Benefits-

Mr. Barry Carlson and Ms. Carol Kroger of ING Employee Benefits provided a presentation for the Boards consideration to renew the current dental contract.

Discussion followed after the two presentations.

Ms. Tabor moved approval to renew the dental contract with ING Employee Benefits. Dr. Dwelle seconded.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

Ms. Tabor moved approval for staff to pursue additional plan designs with ING Employee Benefits. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Leingang, Sage, Tabor, Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

VISION PROPOSALS

Staff Review

Mr. Collins indicated that there were three vision vendors to interview. Two offer network products (VSP & Superior) and one is an indemnity product. The network products offer a certain level of coverage when using a network provider, participants only pay the co-payment

when using services and the provider may not balance bill the participant. The indemnity product allows participants to use any provider, the carrier reimburses based upon a fee schedule, and the participant must file a claim to be paid.

Mr. Collins indicated that staff had sent each vendor sample claims to determine how they would be paid. The results were included in the board materials. Staff also looked at the possibility of offering a combination of two plans. Those results were also included in the board materials.

Ameritas –

Mr. Dan Snyder, Ameritas and Mr. Frank Wald, local agent provided a presentation for the Boards consideration of Ameritas Vision program as the new vision plan.

VSP –

Mr. Mike Carlson and Mr. Tom Swartzaugh, VSP provided a presentation for the Boards consideration as the new vision plan. Mr. Frank Wald also appeared with VSP relating to a second proposal for services from VSP submitted through him.

Superior Vision Services, Inc. -

Mr. Rick Corbet, Mr. Rick Kjerstad and Ms. Kimberley Hess. Superior Vision Services, Inc. provided a presentation for the Board consideration as the new vision plan.

Discussion followed after hearing each of the vision presentations.

Ms. Tabor moved approval of Ameritas as the new vision plan. Mr. Gunkel seconded.

Ayes: Baetsch, Gunkel, Leingang, Tabor and Chairman Strinden.

Nays: None

Absent: Sage and Dr. Dwelle

PASSED

MISCELLANEOUS

ING Life Review – Informational

Mr. Barry Carlson and Ms. Carol Kroger appeared before the Board to discuss the specifics of this issue and to provide the Board with an over view of their life underwriting process and respond to any questions about the complaint.

Deferred Comp Provider Training Compliance – Board Action Requested

Staff informed the Board that there were still a number of provider representatives who have not satisfied the training requirements provided in the NDPERS administrative contract. On February 27, 2002 staff sent letters to the home office contacts for each provider company, citing the contract requirements and included a list of representatives not in compliance with the contract. Included in that letter staff also asked that any alternate training programs be submitted for Board approval by March 18, 2002. No alternate proposals were received at the April meeting. The Board directed staff to send a Notice of Suspension letter pursuant to NDCC 71-04-04-09 to the provider company's that were not in compliance. Letters were sent to the provider Companies not in compliance in early May. All providers have responded, however, Safeco and Zurich Kemper have not taken action to bring their company's into compliance. Both company's have indicated that they are interested in developing their own training programs, but at this point they have not taken any action to start the process.

Ms. Knudsen indicated that staff is suggesting the Board consider suspending the provider company's in 60 days unless they bring themselves into compliance by that date. Staff would then propose to offer the provider company's the opportunity to develop and conduct their own training. Staff would work with them, if they desire, within the 60 day window.

Mr. Leingang moved approval of staff's recommendation. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Leingang, Tabor, Sage, Dr. Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

Board Election – Informational

Mr. Collins indicated that Rosey Sand was elected by the active membership. Her term will begin July 1, 2002 and run through June 30, 2007.

Ms. Tabor moved approval to accept the election results. Mr. Leingang seconded.

Ayes: Baetsch, Gunkel, Leingang, Tabor and Chairman Strinden.

Nays: None

Absent: Sage and Dr. Dwelle

PASSED

Actuarial Study & Pension Adequacy – Board Action Requested

Mr. Collins indicated that at the last meeting the Board discussed several issues relating to the proposed legislation submitted by Representative Wald to expand the defined contribution plan to all state employees. The Board decided to have Gabriel, Roeder, Smith & Company (GRS) do the actuarial analysis again and requested staff to contact them for a proposal. The proposal was included in the board materials.

Mr. Baetsch moved approval of GRS conducting the actuarial analysis as outlined in the proposal. Mr. Leingang seconded.

Ayes: Baetsch, Gunkel, Leingang, and Chairman Strinden.

Nays: None

Absent: Sage, Tabor and Dr. Dwelle

PASSED

Discussion followed on additional work being done on Pension Adequacy.

Mr. Gunkel moved denial for a study on Pension Adequacy. Mr. Leingang seconded.

Ayes: Baetsch, Gunkel, Leingang, and Chairman Strinden

Nays: None

Absent: Sage, Tabor and Dr. Dwelle

PASSED

Agency Budget – Board Action Requested

Ms. Schiermeister indicated that in April of this year, staff was notified by the Office of Management and Budget that PERS would be allowed to submit a budget at the same level as the appropriation for the 2001-2003 biennium. To achieve the "hold-even" budget, a reduction in the level of effort currently provided will need to be made. Staff has identified two options for

the Board to consider. These options were included in the board materials. Excluding one of the options from the base budget will allow us to meet the OMB requirement.

Mr. Gunkel moved approval of staff recommendation option one, which is, eliminating two temporary positions, reducing the number of newsletters published and reducing travel. Mr. Leingang seconded.

Ayes: None

Nays: Baetsch, Gunkel, Leingang, and Chairman Strinden.

Absent: Sage, Tabor and Dr. Dwelle

PASSED

Chairman Strinden thanked Mr. Ron Leingang for his years of service on the PERS Board and presented him with a plaque of appreciation.

The next meetings have been scheduled for July 18th, and August 29th.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 2:45 PM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

North Dakota Public Employees Retirement System

Thursday, July 18, 2002

Blue Cross Blue Shield Office

107 West Main

Bismarck, North Dakota

Members Present:

Chairman Jon Strinden

Mr. David Gunkel

Mr. Ron Leingang

Mr. Howard Sage

Mr. Weldee Baetsch

Ms. Tabor

Absent

Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS

Mr. Scott Miller, Attorney General's Office

Ms. Denise Curfman, NDPERS

Ms. Kathy Allen, NDPERS

Ms. Deb Knudsen, NDPERS

Mr. Bryan Reinhardt, NDPERS

Ms. Sharon Schiermeister, NDPERS

Ms. Arvy Smith, Health Department

Mr. Howard Snortland, AFPE

Ms. Rhonda Peterson, BCBS

Mr. Tom Tupa, SEA

Ms. Sharmain Dschaak, NDPERS

Ms. Rebecca Fricke, NDPERS

Mr. David Peske, ND Medical Association

Ms. Chris Runge, NDPEA AFT-4660

Chairman Strinden called the meeting to order at 8:30 AM.

Chairman Strinden welcomed Rosey Sand to the Board.

Minutes

Chairman Strinden called for any questions or comments regarding the June 20, 2002 NDPERS Board minutes.

Mr. Baetsch disagreed with page 4 Actuarial Study and Pension Adequacy motions. Request it be reviewed by staff and bring it back for review next month.

Ms. Tabor and Mr. Sage had questions regarding there absences during several of the motions and requested the secretary review and bring back next month.

DEFINED CONTRIBUTION AND DEFERRED COMPENSATION

Equitable

Mr. Matt Pits, Representative of Equitable appeared before the Board to request their consideration of changing the contract in the Deferred Comp program to a group policy. Mr. Pits highlighted the benefits of this change. Mr. Collins indicated that the next step would be to send Mr. Scott Miller a copy of the contract, review the administrative agreement and bring back before the Board at a later meeting for final review and decision.

RETIREMENT

Goals and Objectives

Mr. Collins indicated that during the last six months PERS has been reviewing the strategic direction for the retirement plan since the long held goal of providing a retiree with 90% of final average salary has been met. The process so far has involved:

1. The solicitation of ideas from the member by including a request in the newsletter.
2. The PERS Benefits Committee Study of the issue (June – Sept)
3. The PERS Board review of the Benefits Committee Conclusions
4. The PERS Planning retreat in November
5. The solicitation of employee and retiree group comments on draft goals (presentations by each group to the Board)

To date that effort has resulted in the development of the following draft goals and objectives:

Goal # 1: Enable career employees to care for themselves and their dependents at retirement and to provide a plan that will reduce personnel turnover and encourage employees to pursue long-term employment.

1. *In order for career employees to provide themselves and their dependents the retirement plan should provide at retirement benefit of 90% of final average salary plus the employer paid health insurance premium. The definition of career employee is 30 years.*
2. *To reduce employee turnover, encourage career employment and provide for career employees PERS will have a two- tier benefit structure with a 2% multiplier for the first 20 years of service and a multiplier in the second tier that will achieve the previous objective.*

Goal # 2: Establish a mechanism that will maintain the purchasing power of current retirement benefits.

1. *Until PERS can develop, fund and implement a long term mechanism for providing cost of living adjustments the system will provide regular increases to retirees that can be funded on an actuarially sound basis*
2. *PERS will study the development of method to provide long term cost of living adjustments to members of the system that can be accomplished on an actuarial sound basis*

Goal # 3: Provide members with greater flexibility to access, supplement, contribute to and draw from their retirement funds.

1. *To consider revising the definition of final average salary to provide more flexibility for members to stay in public employment should their position change.*

2. *To examine additional options for members to draw their retirement benefit such as a partial lump sum payment.*
3. *To review possible enhancements in the Joint and Survivor benefit that would better provide for a member's spouse and could be done in manner that would be equitable for single employee's*
4. *To consider having a J&S benefit added to the level social security option.*

Goal # 4: Develop incentives for members to encourage supplemental retirement savings.

1. *To develop a method by which members could get a portion of their PEP contribution either paid to them as cash at retirement, applied to the purchase of service or used to offset retirement health premiums.*

Pursuant to the boards previous direction we asked for member comments on the above by including an article in a recent newsletter. We have received several comments back; those comments were included in the board materials.

Mr. Collins indicated that staff is suggesting that we wait to adopt these goals and objectives until after getting the information from GRS. They are doing the actuarial modeling of the main retirement plan to look at the effect of the DC expansion proposal. Part of this modeling effort will provide us insight into how reasonable the proposal is to provide for future retiree increases.

Qualified Domestic Relations Order (QDRO) Account Balance

Ms Rebecca Fricke and Ms. Sharmain Dschaak from NDPERS appeared before the Board. Ms. Fricke indicated that staff has reviewed current procedures regarding when a member's account is reduced due to a QDRO on file. This review indicated that the member's account balance is not being reduced immediately to provide for the QDRO. It was determined that this lack of a reduction could cause a significant overpayment to the member's beneficiary in the event of the member's death as their full account balance would be distributed to the member's beneficiary on file. Ms. Fricke indicated that current procedures only provide for a segregation of the member's after-tax contributions. However, this was only to occur once both the alternate payee and member were in payment status. Staff has contacted Segal for their guidance on this procedure. Several options have identified. These options were included in the board materials. Staff and Segal are recommending option 2.

Ms. Sand moved approval of option 2. Immediately reduce at time of first distribution. This would reduce the member's account at the time that the alternate payee's benefit commenced. It would not assign the amount awarded as the alternate payee's minimum guarantee. It would be documented in the member's file the amount and reason for the reduction in the member's account balance. Interest would accumulate on the member's account balance more appropriately based on the amount awarded to the alternate payee, rather than accruing on a larger account balance without the reduction. Also, this would alleviate the issue of the member's account balance not being reduced and a potential higher beneficiary payment if the member died.

Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Lincoln National Provider Agreement (Board Action Requested)

Ms. Allen indicated that the contract was referred to Mr. Scott Miller for review. Mr. Miller was present at the meeting to answer any questions. Mr. Miller indicated that Lincoln is one of the providers that would not sign the current agreement so they have been put on a suspended status, which means they are unable to receive any new business. The changes that Lincoln is asking for in this contract do not put PERS out of compliance with the IRS.

Mr. Gunkel moved acceptance of the contract with suspended status. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

GROUP INSURANCE

EAP Leave of Absence (Board Action Requested)

Mr. Collins indicated that staff reviewed with the Board that PERS does not have a policy relating to leave of absence for the Employee Assistance Program (EAP). At that time the Board requested staff to look into developing a policy. One of the first steps in that process was to write our EAP providers for their input. At the February meeting those responses were brought back to the Board and the following policy was considered.

An employee may continue the employee assistance program (EAP) at their own expense. The agency is responsible for collecting the premium from the employee and submitting it with the monthly agency billing.

Mr. Collins indicated that the Board directed staff to share the proposed policy with payroll contacts. Mr. Collins indicated that an article was placed in the last newsletter. No comments were received. Staffs recommendation is to approve the policy.

Ms. Sand moved approval of the EAP policy. Mr. Gunkel seconded

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Central Valley Health District- Health Premiums (Board Action Requested)

Ms. Allen indicated that at the January meeting, Central Valley Health District requested that the Board reconsider its policy relative to the premium rate applied to district health units. Central Valley joined the PERS health plan effective January 1, 2002 under the assumption that the single/family rate applied to its group. Therefore, they budgeted for the premium expense according to this information. When the group was notified that the flat rate applies to health units, they requested the Board's consideration to allow them to retain the single/family rate because they were unable to finance health coverage based on the flat rate. The Board moved to allow Central Valley to remain on the single/family rate through its current budget cycle ending December 31, 2002.

Ms. Allen indicated that currently there are 9 district health units that participate in the NDPERS group health plan. A survey was sent to each unit to obtain input regarding the preference for the single/family rate versus the flat rate. A copy of that survey was included in the board materials. Staff received 7 written responses and two verbal

responses. Out of this number, 8 indicated they preferred the flat rate because the majority of their contracts were family and this represented a cost savings over the single/family rate. Only Central Valley responded it preferred the single/family rate.

Central Valley will begin preparing its 2003 budget in August. Therefore, the Board must determine what rate will apply to the unit for 2003. Ms. Allen indicated that staff has provides several options for the Board's consideration along with the advantages and disadvantages of each. These options were included in the board materials.

Ms. Sand moved approval staffs recommendation option 1 to apply the flat rate to effective January 1, 2003. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Wellness Benefit Program – Board Action Requested

Ms. Allen indicated that at the January meeting, the Board was provided a list of the programs funded to date under the Wellness Benefit Program. The Board noted that over the years the program has evolved into wellness initiatives centered on short-term preventive services such as flu shots. Based on this finding, the Board moved to have 3 members on the Benefits Committee to review the purpose and criteria for the Wellness Program and to develop strategies to redirect the program's focus and report these efforts back to the Board. The Board further directed that all applications received for wellness benefits during the interim be submitted to the Board for action.

The committee reviewed the current application and evaluation procedures and found them to be satisfactory. Therefore, to supplement the current application process, the committee proposed agenda driven program that will be more proactive and will give employers more direction in selecting and conducting a wellness program with the agenda driven results be reported to the Board at the conclusion.

Ms. Allen indicated that the Committees recommendation is to approve the proposed program.

Ms. Tabor moved approval of Committee recommendation. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Ms. Smith introduced the first proposed initiative under the agenda driven program, which is 10K-a-day physical activity program, which the Committed reviewed and selected. Ms. Smith indicated that the Committees recommendation is to offer the 10K-a-day program over the next six months.

Ms. Sand moved approval of Committee recommendation. Mr. Baetsch seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Ms. Allen indicated that the Board directed that all applications received for wellness benefits during the interim be submitted to the Board for action and asked if the Board wanted to continue or modify this procedure.

Mr. Gunkel moved approval to have the Committee make the approvals or denial and to report back to the Board. Mr. Sage seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Smoking Cessation Program – Board Action Requested

Ms. Allen indicated it was proposed by the Board that during 2001 staff would review and develop specifications and solicit eligible vendors for the program. This information would be submitted to the board for its review and approval. Staff located only one vendor in the State that offers a smoking cessation program; the Tobacco Dependence Treatment Center located in Fargo. The center is grant funded by the Dakota Medical Foundation. It is a collaborative effort of the Fargo-Moorhead healthcare community and is physician directed. NDPERS and BCBS staff have met with representatives of the treatment center over the last few months to discuss the program services and associated costs. Based on these discussions, staff developed a proposal outlining the implementation, eligibility, reimbursement, and covered services.

Implementation

Doing multiple rollouts of the program in Fargo and the surrounding area. This would allow between four to six programs available beginning this fall and ending on April 30, 2003. Enrollment for each program would be limited to a specific number in order to ensure the Center's resources are not compromised beyond its ability to provide services. In addition, this will ensure we do not exceed the premium assessment available to fund the program.

Eligibility

The program will be available to active and retired members enrolled in the NDPERS group health plan. This could include employees, spouses, and dependents. Therefore, the scope of eligibility must be defined. The program requires a referral from a physician. Another issue is whether to have a limit on the number of times a member can receive benefits under the program. Doing multiple rollouts over a specified time period, as outlined under implementation, will provide the opportunity for participants that have a relapse or were not successful in their first treatment to re-enroll during subsequent program enrollment periods.

Program Services

The program involves a combination of six group or individual sessions over a period of three to four weeks along with pharmacology aids. Sessions are approximately 1 to 1½ hours in duration and are conducted at least weekly. At least two sessions must be conducted on-site and the remaining sessions may be provided by phone. Pharmacology aids are a combination of prescription drugs to include Wellbutrin and Zyban (same chemical compound as Wellbutrin, different name), as well as over the counter drugs. A program outline was included in the board materials.

Reimbursement

The cost of the program is as follows:

Initial Assessment (waived if client enrolls in complete program): \$ 25.00

Flat fee for 6 sessions (assuming group discount):	225.00
Pharmacology aids (estimate for 2½ months):	
Over-the-Counter Drugs (assuming maximum limit met)	133.00
Prescription Drugs:	<u>250.00</u>
Total	\$633.00

The following reimbursement schedule:

	Program	Participant
Initial Assessment (if program not completed)		(\$ 25.00)
Initial Assessment & 6 Sessions:	\$200.00	25.00
Over-the-Counter drugs (75% to \$100 limit):	100.00	33.00
Prescription Drugs (75% to \$100 limit):	<u>100.00</u>	<u>150.00</u>
Total	\$400.00	\$183.00
Program Not Completed		\$633.00

There is an issue with prescription drug coverage. Currently the prescription drug program covers Wellbutrin; however, it does not cover Zyban. Therefore, Zyban will be reimbursed on the same basis as the over-the-counter drugs.

The Center will be reimbursed when the participant has completed the program. If the participant does not complete the program, they will be responsible for all incurred costs associated with the program. The program is considered complete after the participant attends the sixth session. The Center's staff recommends the participant attend one to two months of support group meetings on a mandatory basis in order to be eligible for benefit reimbursement. The participant will be reimbursed for over-the-counter drugs upon successful completion of the program. BCBS will be responsible for making reimbursement payments from the account.

Ms. Allen indicated that the following items must be resolved:

- Should the program be available to family members of the employee and if so, which members?
- Will participants that previously completed the program and were unsuccessful or quit the program before completion be allowed to re-enroll for benefits during a later enrollment opportunity?
- Is the above reimbursement schedule an acceptable level of cost sharing by the program and participant?
- Should support group participation for one or two months be mandatory for reimbursement?

Ms. Allen indicated that staffs recommendation is to approve the pilot smoking cessation program as proposed.

Dr. Rice was present to assist in any questions. Ms. Myra Ohlson and Ms. Dawn Hoffner from the Tobacco Dependence Treatment Center were present to answer questions.

Ms. Sand moved approval of the pilot smoking cessation program, to cover participants in the health plan, re-enrollment to be allowed, and reimbursement schedule as stated, one month of support group mandatory. Mr. Sage seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle
PASSED

Dental & Vision Programs (Informational)

Mr. Collins indicated that ING and Ameritas have been notified that they were the successful vendors. The rest of the vendors were notified.

Relating to the dental plan the Board requested that staff explore some alternate plan designs with ING. Staff asked ING to investigate what possible changes would be required to produce a premium reduction of 20% or more. Conceptually, two approaches were discussed:

1. Presently our plan design has four levels of benefits: preventive, routine and restorative, major and orthodontic. One idea was to have a plan that only provided preventative and routine coverage.
2. A second idea was to have a plan that provided coverage only after a high loss. The thought was that we could all maybe put into flex enough to cover all the preventative and some of the routine work but we may want to have a low cost coverage for the unexpected high cost items.

ING response was included in the board materials. They were not able to develop any ideas relating to the second concept. At this time staff is recommending that we not move forward with an alternate plan design for the 2003 plan year.

After discussion it was the consensus of the Board to move forward with the existing plan design and have staff continues to explore alternate plan designs.

Quarterly Health Graphs (Informational)

Mr. Reinhardt provided and overview of the quarterly health utilization graphs with the board.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided and overview of the Surplus/Affordability update with the board.

2002 NDPERS Inpatient Comparison (Informational)

This comparison is informational and was provided in the board materials.

MISCELLANEOUS

Transfer Procedures (Board Action Requested)

Mr. Collins indicated that staff has recently completed a review of the transfer procedures for each of our programs. One basic difference exists between our group insurance program and the other programs. In the group insurance program if a member goes from one participating employer to another (Attorney Generals Office to Human Services) they are treated as a new employee and must reenroll in the program. In our programs they do reenroll but rather are transferred as a result of federal requirements or the financial risk associated with the flex comp program.

Mr. Collins presented the following advantages and disadvantages to this policy for the group insurance program:

Advantages:

1. They get a new opportunity to make their life insurance elections without underwriting.
2. They get to make changes in health plan coverage with underwriting.
3. They get a new opportunity to join the voluntary insurance programs.

Disadvantages:

1. If you have spouse life coverage it must be renewed and must again go through the medical review if required.
2. New elections must be filed with our office.

Mr. Collins indicated that staff is bringing this to your attention to see if you are interested in changing our procedures to make them uniform. That is making the group insurance procedures similar to the other programs. Administratively this will involve a lot of change.

Mr. Gunkel moved approval to standardize the transfer procedure. Mr. Sage seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

2003-2005 Optional Adjustment Package (Board Action Requested)

Ms. Schiermeister indicated that at the last board meeting, the agency's 2003-05 base budget was presented and approved. The budget is at the same level as the appropriation for the 2001-2003 biennium, which is in compliance with the Governor's request. In order to achieve the "hold-even" budget, the agency was not able to include funding for a number of activities PERS is presently doing and some new activities PERS should be doing. The budget guidelines provide agencies with the opportunity to submit optional funding requests in addition to the base budget request. Ms. Schiermeister addressed the following activities staff recommends to be considered:

1. **Equity Adjustments.** Since 1999, PERS has been working to provide increases to PERS staff whose salaries are less than the statewide or national average for the respective pay grade or position, by years of service. Currently, the statewide average comp ratio for all state agencies is .96 and for PERS it is .84. This option includes funding for salary equity increases to continue this effort.
2. **Temporary positions.** This option would restore funding for the temporary administrative assistant position and temporary internal audit position. The administrative assistant position has been a part of the agency's staff since 1998. The agency feels this position is necessary to maintain the same level of services currently being provided by the administrative services division. The internal audit position has been a part of the agency's staff since 1999. The agency feels the additional resources in the internal audit division are necessary to continue to provide assurance that the agency is meeting its fiduciary responsibilities.
3. **IT Plan – Workflow Project.** This option includes funding for the workflow project identified in the agency's Information Technology (IT) Plan and increasing the IT staff by .5 FTE. This workflow project will expand the use of the electronic document management system to include workflow and electronic forms. The agency anticipates that this will reduce the amount of paper forms, increase efficiency and reduce costs associated with handling paper. Currently, the agency has 2.5 IT coordinators on staff.

The request for the additional .5 FTE will be to make the half-time position a full-time position.

4. **Internal Auditor.** The internal audit division has requested funding for a new full-time, permanent position since the 1999-01 biennium. Funding was not included in the 1999-01 request for a permanent position; however, funding was available to hire a part-time, temporary audit intern. With the additional responsibilities the agency has taken on as a result of administering new programs, the increasing complexity of existing programs and additional fiduciary responsibility for the companion plan, the need for additional resources in the internal audit area exists. If the desire were to have a permanent position assigned to the division, the funding for the temporary internal audit position would be removed and replaced with funding for an FTE.
5. **Member Communications.** This option would restore funding for an active and retiree newsletter. The agency currently distributes 6 newsletters per biennium for active members and 6 newsletters per biennium for retired members of PERS. The base budget includes funding for only 5 active newsletters and 5 retiree newsletters. The newsletters are important communication and education tools for members. Reduction in the number of newsletters lowers the level of customer service currently provided to our members. In-state travel would also be restored to fund the member outreach program at the same level as the current biennium.
6. **IT Plan – Video Conferencing Project.** This option includes funding to purchase and set up video conferencing equipment at the PERS office, as identified in the agency's IT plan. The equipment would be used for board meetings and presentations to members, employers and vendors, which would reduce time and money spent on travel.

Mr. Gunkel moved approval of staffs' recommendation. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

NDPERS Personnel Policy Manual (Board Action Requested)

Ms. Allen indicated that PERS has made revisions to our Policy Manual in recognition of suggestions by Risk Management and our external auditors. These revisions were included in the board material.

Mr. Gunkel moved approval of revisions. Ms. Sand seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

PERS Board Meeting Dates (Informational)

Mr. Collin indicated that in recognizing the work efforts coming due in the next several months Staff is suggesting that the Board meeting dates be changed as follows:

August meeting - Move to August 29. This will provide time for all the renewal information for the health contract to be developed for your consideration. Please note that in the past we have also scheduled special meeting in the first part of September to address follow-up issues.

September meeting - Move to September 26. In discussing the DC actuarially analysis with GRS they indicated that they could present this to the Board at this time.

October meeting - Move to October 24. The actuarial reports will be completed and ready to be presented by Segal by this time. Also final technical and actuarial reports on proposed legislation will ready for your review and final action by this date.

November 21st and December 19th meeting stay as scheduled.

Mr. Sage moved approval of meeting changes. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Consultant Fees (Informational)

The Consultant fees were informational and were provided in the board materials.

NAGDA Conference (Board Action Requested)

Mr. Collins indicated that the National Association of Government Defined Contribution Administrators conference is coming up. In the past the Board has approved sending one member of the Board to this meeting and one staff member.

Mr. Sage moved approval for one Board member and one staff member. Ms. Tabor seconded.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Health Care Discussions (Informational)

Included in the board materials was the most recent Health Care Discussions newsletter from BCBS.

May 3, 2002 PERS Audit Committee Minutes (Informational)

Included in the board materials was the Audit Committee Minutes.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 11:14 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

**North Dakota Public Employees Retirement System
Thursday, August 29, 2002
Fort Union Room,
State Capital
Bismarck, North Dakota**

Members Present: Chairman Jon Strinden
Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor
Absent Dr. Terry Dwelle

Others Present: Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Rhonda Peterson, BCBS
Mr. Tom Tupa, SEA
Mr. David Peske, ND Medical Association
Ms. Chris Runge, NDPEA AFT-4660
Captain Bryan Klipfel, NDHP
Col. Jim Hughes, NDHP
Mr. Brad Swenson, Dorsey & Whitney

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the June 20, 2002 NDPERS Board minutes.

Mr. Gunkel moved approval of the June 20, 2002 NDPERS Board minutes. Mr. Sage seconds.

Chairman Strinden called for any questions or comments regarding the July 18, 2002 NDPERS Board minutes.

Mr. Gunkel moved approval of the July 18, 2002 NDPERS Board minutes. Ms. Sand seconds.

Highway Patrol (Board Action Requested)

Ms. Allen indicated that North Dakota Century Code 39-03-.1-11(5) provides

"...The final average salary used for calculating a deferred vested retirement benefit must be increased annually from the later of the date of termination of employment or July 1, 1991, until the date the contributor begins to receive retirement benefits from the fund, at a rate as determined by the board not to exceed a rate that would be approximately equal to annual salary increases provided state employees pursuant to action by the legislative assembly."

Ms. Allen indicated that staff has met with leadership of the Highway Patrol. Their recommendation is \$35 per month minimum be used as the factor for purposes of indexing this year. This equates to 1.73% for the system. As in the past, this suggestion is based on the amount allocated by the legislation as applying to all employees and does not include the merit and equity dollars allocated by the legislation. Captain Bryan Klipfel, and Col. Jim Hughes, of the North Dakota Highway Patrol appeared before the Board to answer questions.

Ms. Tabor moved approval of 1.73% indexing for the Highway Patrol System. Mr. Sage seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Blue Cross Blue Shield Renewal Proposal (Board Action Requested)

Mr. Patrick Pechacek of Deloitte & Touche appeared before the Board to review their report on their independent projection of the rates for 2003-2005 biennium.

Mr. Chad Niles and Ms. Janine Weideman of Blue Cross Blue Shield appeared before the Board to provide a brief presentation on the renewal proposal and the underlying trends that create the proposed increases.

Ms. Sand motioned to enter into Executive Session under NDCC section 44-04-19.1(7), at 10:15 AM to discuss the BCBS renewal proposal.

Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Present in Executive Session:

Chairman Jon Strinden

Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor
Dr. Terry Dwelle

Absent

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Mr. Patrick Pechacek, Deloitte & Touche

Mr. Gunkel motioned to close Executive Session at 11:25 AM.

Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Mr. Gunkel moved:

- 1) To review the active and retiree plan designs and submit recommendations for alternative plan designs.**
- 2) To accept the BCBS bid and to direct the PERS Chair and Executive Director to meet with Senior BCBS management to negotiate contract terms.**
- 3) To proceed with the long term planning process, direct the PERS Executive Director to write and submit legislative bills to authorize**
 - a) the elimination of the formal bid process for the group insurance program**
 - b) the board to develop an independent network health care provider contracts**
 - c) in house administration of the health care plan by PERS**
 - d) an agency wellness plan with premium incentives.**
- 4) To have the Executive Director of PERS to review of the large case management function at BCBS during the next two years.**

Mr. Sage seconds the motion.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

USERRA Opinion (Informational)

Mr. Collins indicated that in the board materials was the response PERS received from the Attorney General concerning the administration of the USERRA law as it relates to PERS retirement plans. Mr. Scott Miller has incorporated into PERS legislative amendments provisions to bring PERS statute in compliance with this opinion. Mr. Scott Miller provided the Board with a brief overview of the memo.

Judges Disability (Board Action Requested)

Mr. Collins indicated that the following changes have been made to PERS administrative rules in conjunction with the changes on the method of deterring whether or not a judge was disabled in the last legislative session:

Subsection 71-02-01-01-16 is amended as follows:

- 16 “Permanent and total disability” for members of the main retirement system and the national guard retirement plan means the inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or has lasted or can be expected to last for a continuous period of not less than twelve months. For members of the judge’s retirement plan permanent and total disability is determined pursuant to subdivision e of subsection 3 of section 54-52-17 of the North Dakota Century Code.

Subdivision b of subdivision 1 of section 71-02-05-06

- b. For the main system and the national guard system the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual’s ability to be engaged in any gainful occupation for which the person is, or could become, reasonably fitted education, training, or experience. For the judges retirement plan the application must explain the cause of the disability, the limitations caused by the disability, the treatment being followed, and the effect of the disability on the individual’s ability to mentally or physically fulfill the duties and responsibilities of being a judge. A judge that is determined to be disabled pursuant to subdivision a of subsection 3 of section 27-23-03 of the North Dakota Century Code shall file an application documenting this determination and the effective date of the disability.

Subdivision c of subsection 2 of section 71-02-05-06

- c. The medical consultant is responsible to determine eligibility for disability benefits for applicants not approved for social security disability benefits or for judges not approved pursuant to subsection 3 of section 27-23-03 of the North Dakota Century Code and shall advise the executive director of the decision in writing. Applicants who become eligible for disability benefits under the Social Security Act and who meet the requirements of subdivision e of subsection 3 of North Dakota Century section 54-52-17 are eligible for benefits under subdivision e of subsection 4 of North Dakota Century Code section 54-52-17 without submitting further medical information to the medical advisor, but are subject to recertification requirements specified in this chapter.

Mr. Collins indicated that in discussing how to implement the above with PERS medical consultant this last fall he indicated that he would need a job description for a Judge in order to make the determination. Staff then met with the court and they indicated that no such description existed for North Dakota Judges. Staff also checked with the national organization but found no generic national descriptions. Other state PERS were also contacted to see how they made the judges disability determinations. Staff found that many have the determination made by a committee or in some cases by the governor but none had a job description.

Given this insight staff has developed a proposed methodology that included having two judges (one Supreme Court judge and district judge) work with the medical director to review an application when submitted. The judges would assist the medical director in gaining an insight

into the requirements of the job as it related to the disability application. A final determination on the application would need the concurrence of the medical director and at least one judge.

Staff has met with the representatives of the court and the medical director to review this process and they agree that it may be the most practical approach.

The administrative rules will need to be modified accordingly with the next rewrite. In the meantime staff would use this as the administrative process should an application come in before the new rules would be effective.

Mr. Sage moves approval of having two judges (one Supreme Court judge and district judge) work with the medical director to review an application when submitted. The judges would assist the medical director in gaining an insight into the requirements of the job as it related to the disability application. A final determination on the application would need the concurrence of the medical director and at least one judge. And to have staff use this as the administrative process should an application come in before the new rules would be effective.

Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, and Chairman Strinden.

Nays: None

Absent: Dwelle and Tabor

PASSED

457 Companion Plan 2nd Quarter Report (Informational)

Mr. Reinhardt provided an over view of the report for the board.

401(a) Defined Contribution 2nd Quarter 2002 Report (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Job Service OASIS/Social Security (Board Action Requested)

Mr. John Graham, Representative from Job Service of North Dakota appeared before the Board to review their proposal for transferring legal and operational responsibility for OASIS and SSA Section 218 agreements from Job Service of North Dakota to PERS.

Mr. Collins indicated that PERS is in the retirement administration business and such a change makes sense with the OASIS proposal, however, the transfer of the SSA Section 218 agreements is outside the scope of PERS responsibilities.

Ms. Sand moved approval of transferring the OASIS and not transferring SSA Section 218 agreements.

Mr. Baetsch seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, and Chairman Strinden.

Nays: None

Absent: Dwelle and Tabor

PASSED

Proposed Legislation (Board Action Requested)

Mr. Collins indicated that the next Legislative Employee Benefits Committee is scheduled in September and at that meeting the committee will be taking comments on legislation and reviewing the first draft of the technical comments. Included in the board materials were the

technical comments from Segal and Deloitte on each of the proposed bills. Also included in the board materials were the proposed amendments for each bill.

Ms. Sand motioned for the Board not to support Bill #18.

Mr. Sage seconds the motion.

Ayes: Sand and Sage,

Nays: Baetsch, Gunkel and Chairman Strinden.

Absent: Dwelle and Tabor

FAILED

EPO Annual Enrollment (Informational)

Ms. Allen indicated that there was an overall increase of 4.5% in the EPO Contracts as of July 1, 2002. Altra Clinic in Grand Forks had the largest increase at 12.3%. This increase is due to the addition of Lake Region Clinic in Devils Lake to its network.

2001 NDPERS Health Care Analysis (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 12:45 PM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board

MINUTES

**North Dakota Public Employees Retirement System
Thursday, September 26, 2002
Fort Union Room,
State Capital
Bismarck, North Dakota**

Members Present:

Via Conference call

Chairman Jon Strinden

Mr. David Gunkel

Ms. Rosey Sand

Mr. Howard Sage

Mr. Weldee Baetsch

Ms. Tabor

Absent

Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS

Mr. Scott Miller, Attorney General's Office

Ms. Denise Curfman, NDPERS

Ms. Kathy Allen, NDPERS

Ms. Deb Knudsen, NDPERS

Mr. Bryan Reinhardt, NDPERS

Ms. Arvy Smith, Health Department

Mr. Larry Brooks, BCBS

Ms. Rhonda Peterson, BCBS

Mr. Tom Tupa, INDSEA

Mr. Howard Snortland, AFPE

Ms. Connie Flanagan, RIO

Mr. Steve Cochrane, RIO

Mr. Chris Conradi, GRS

Mr. Mike Carter, GRS

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the August 29, 2002 NDPERS Board minutes.

Ms. Tabor moved approval of the August 29, 2002 NDPERS Board minutes. Ms. Sand seconds.

Actuarial Review of the Proposed Expansion of the Defined Contribution Plan (Informational)

Mr. Michael Carter and Mr. Chris Conradi, of GRS, presented their actuarial study to the Board.

The study concluded:

- Past two years of economic downturn changes the picture significantly compared to similar study in 2000.
- Contribution rate climbs about 4.12% with or without optional DC plan.
- UAAL increases in either case
- Funded ratio levels out at around 90%
- Based on assumptions and methods, DB plan is not harmed by optional DC program
 - * Contribution rate must increase to higher level with optional DC plan- 8.25% vs. 7.28% - but total contributions are somewhat less with DC plan (6.86% vs. 7.28%)
- External cash flow may become an issue in 15-20 years, but still will not force significant changes to allocation or assumed investment return in the near future.
- The picture would not have been as pessimistic if we hadn't assumed 2.0% annual ad hoc post-retirement benefit increases.

Investment Programs Review (Informational)

Mr. Steve Cochrane, State Investment Officer and Ms. Connie Flanagan, of RIO, provided an update on the states investment returns for the year ending June 30, 2002.

Compliance Update – (Informational)

Ms. Allen indicated that both Safeco and Zurich-Kemper responded within the 60-day limit imposed by the Board and took the actions required to be in compliance with the Provider Administrative Agreement.

Open Enrollment (Informational)

Ms. Allen indicated that in the past staff has conducted several annual enrollments throughout the year each targeting a specific benefit plan. These plans are the group life, dental, FlexComp, long term care, and effective this year the new vision plan. Over the past year staff has been working toward a goal to conduct one annual enrollment that includes all these programs. Ms. Allen indicated that staff has met that goal this fall with the introduction of the "NDPERS Annual Open Enrollment Season."

Ms. Allen handed out a sample of the annual enrollment packet that was mailed to the home addresses of all eligible members the week of September 23rd.

Life Renewal (Board Action Requested)

Ms. Allen reviewed the ING renewal for July 1, 2003, which was included in the board materials.

Ms. Allen indicated that staff is also proposing a plan design change. Currently eligible early retirees of the PERS system that are participating in the life plan at the time of retirement are allowed to continue the \$1,300 basic life coverage for their lifetime. However, eligible early retirees that have an early retirement agreement with a state university or college are allowed to continue their basic life and employee, dependent and spouse supplemental insurance until they reach age 65 at which time they can elect to continue the basic coverage of \$1,300 for life. Because this policy is inconsistent, staff is proposing that the option to continue supplemental coverage for the university employees be discontinued and that upon retirement, these early retirees would be offered the same \$1,300 benefit available to all other similarly situated retirees. The policy would be effective July 1, 2003 and would be applied on a prospective

basis in order to grandfather the seven university system retirees currently carrying supplemental group life coverage.

ING has indicated that this change will have no effect on our premium rates.

After discussion the Board directed staff to look at the possibility of allowing all eligible early retirees to continue supplemental coverage to age 65.

No action taken.

Ameritas Contract (Board Action Requested)

Ms. Allen reviewed the draft of the Ameritas Contract for the group vision plan that will be effective January 1, 2003, which was included in the board materials. Ms. Allen indicated that the contract has been reviewed by staff and legal counsel. Staff notes two items that remain to be addressed:

- Under the Coordination of Benefits section the subheading “Right to Receive and Release Necessary Information, a statement should be added to the effect that “any information received and maintained will be in a manner consistent with all applicable state and federal laws.
- Under the General Provisions section the subheadings Notice of Claim, Claim Forms and Proof of Loss statements must be clarified.

Mr. Sage moved approval of the Ameritas Contract subject to the resolution of:

- **Under the Coordination of Benefits section the subheading “Right to Receive and Release Necessary Information, a statement should be added to the effect that “any information received and maintained will be in a manner consistent with all applicable state and federal laws.**
- **Under the General Provisions section the subheadings Notice of Claim, Claim Forms and Proof of Loss statements must be clarified.**

Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an over view of the report for the board.

BCBS Renewal (Board Action Requested)

Ms. Tabor motioned to enter into Executive Session under NDCC section 44-04-19.1(7), at 11:35 AM to discuss the BCBS renewal proposal.

Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Present in Executive Session:

Via conference call

Chairman Jon Strinden
Mr. David Gunkel
Ms. Rosey Sand
Mr. Howard Sage
Mr. Weldee Baetsch
Ms. Tabor
Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS
Mr. Scott Miller, Attorney General's Office
Ms. Denise Curfman, NDPERS
Ms. Kathy Allen, NDPERS
Ms. Deb Knudsen, NDPERS
Mr. Bryan Reinhardt, NDPERS
Ms. Arvy Smith, Health Department

**Mr. Sage motioned to close Executive Session at 12:10 PM.
Ms. Sand seconds.**

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

Chairman Strinden called meeting into open session at 12:10PM.

Ms. Tabor asked for staff recommendation.

Mr. Collins indicated staffs recommendation is to move forward with BCBS renewal by:

1. Confirm the agreement relating to the wellness benefit, renewal methodology and large case management.
2. Lowering annual EPO rate.
3. Set up a reserve fund to reduce the rates. (Staff would use \$3,000,000 as the estimated amount in the reserve fund at the end of the biennium).
4. Adjust the administrative fee to reflect \$2.80 that PERS has historically charged.

Ms. Tabor moved approval of staff recommendation.

Mr. Gunkel seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, Dwelle and Chairman Strinden.

Nays: None

Absent: None

PASSED

Chairman Strinden called for any other business.

Mr. Collins indicated that all amendments have been given to the Employee Benefits Committee on Monday. Copies are available at request.

Staff presented the NDPERS budget presentation to OMB. Copies of that presentation are available at request.

Mr. Collins also informed the board of another proposed bill, prepared by the Legislative Health Committee, relating to NDPERS and mandated benefits. Mr. Collins provided testimony at the hearing last week. The concept of the bill is that any new mandates considered by legislature will first go into effect in the PERS plan for two years; PERS will then analyze the mandates at the end of the first year and report to the General Assembly. Historically mandated benefits have not gone into the PERS plan until the biennium after they have been passed.

Next meeting is scheduled for October 24th.

Chairman Strinden called for any other business, hearing none the meeting adjourned at 12:15 PM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board

MINUTES

**North Dakota Public Employees Retirement System
Thursday, October 24, 2002
Roosevelt Park Room,
State Capital
Bismarck, North Dakota**

Members Present:

Via Conference call

Chairman Jon Strinden

Mr. David Gunkel

Ms. Rosey Sand

Mr. Howard Sage

Mr. Weldee Baetsch

Ms. Tabor

Absent

Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS

Mr. Scott Miller, Attorney General's Office

Ms. Denise Curfman, NDPERS

Ms. Kathy Allen, NDPERS

Ms. Deb Knudsen, NDPERS

Mr. Bryan Reinhardt, NDPERS

Ms. Sharon Schiermeister, NDPERS

Ms. Arvy Smith, Health Department

Mr. Larry Brooks, BCBS

Ms. Rhonda Peterson, BCBS

Mr. Tom Tupa, INDSEA

Mr. Howard Snortland, AFPE

Mr. Chris Runge, NDPEA AFI 4660

Mr. John Garrett, Segal

Ms. Leslie Thompson, Segal

Chairman Strinden called the meeting to order at 8:30 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the September 26, 2002 NDPERS Board minutes.

Ms. Tabor moved approval of the September 26, 2002 NDPERS Board minutes. Mr. Baetsch seconds.

Actuarial Review Reports (Informational)

Ms. Leslie Thompson, Senior Vice President and Consulting Actuary, from Segal appeared before the Board to review the actuarial reports for the year ending June 30, 2002. Ms. Thompson reports the margin for each of the systems for this year as:

Main System	-.30
Judges	4.23
National Guard	8.33
Highway Patrol	2.11
Retiree Health	.02

It was discussed and decided by the Board to withdraw all provisions in PERS retirement bills that have an actuarial effect.

Technical & Actuarial Reviews of Proposed Legislation (Board Action Requested)

Mr. John Garrett, Vice President and Consulting Actuary, from Segal appeared before the Board to review the actuarial cost impact of proposed legislation. Mr. Collins indicated at the last Employee Benefits Committee meeting they accepted all the proposed amendments relating to the PERS bills. Suggestions relating to bills sponsored by others are going to be forwarded by legislative council to the sponsors for their consideration.

Mr. Collins indicated that he had gotten a response from the IRS concerning our request for a letter ruling relating to allowing a member the opportunity to purchase service on a pre-tax basis. As part of the response the IRS had requested some clarification be added to our statute. Mr. Miller prepared some amendments to proposed bill # 53 to satisfy the IRS request.

Mr. Gunkel moves approval of staff recommendation to amend bill no. 53. Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Investment Options for DC & 457 plan (Board Action Requested)

Mr. Collins indicated that the investment subcommittee met and reviewed the last quarter's reports for the Defined Contribution plan and Companion plan. In the review the subcommittee found the Strong Opportunity has not met their performance standards over the 3 or 5 year period.

Mr. Collins indicated that the subcommittee is recommending placing these funds on formal review and advising the members of this decision.

Ms. Tabor moved approval of the Subcommittee's recommendation to place the Strong Opportunity on formal review and to advise the members. Mr. Baetsch seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Health Care – (Informational)

Attached for the Boards information and review was the latest Health Care Discussions newsletter from BCBS.

Consultant Fees (Informational)

Attached for the Boards information was the consulting, investment and administrative fees paid during the quarter ending September 30, 2002. Ms. Tabor requested that a column be added to the report showing paid to date.

Life Renewal – Plan Design Change (Board Action Requested)

Ms. Allen indicated at the September Board meeting staff proposed a plan design change for the Board's consideration. The proposal was to no longer allow eligible early retirees that have an early retirement agreement with a state university or college to continue their employee, dependent and spouse supplemental insurance until they reach age 65. The Board directed staff to get a response from ING on the following items:

- Extending the option to continue employee supplemental, dependent life, and spouse supplemental life to all eligible early retirees to age 65,
- What affect this would have on ING's renewal, and
- If there were any adverse selection issues to consider.

ING's response was included in the board materials. They have indicated that if the Board elects to make this change there will be no effect on the rates currently proposed for the next biennium. However, in two years when the plan is again up for renewal, it may be necessary for ING to make some premium adjustments based on the claims experience of the early retiree group.

Ms. Allen indicated due to the potential risk for adverse selection and higher claims experience, staff proposes not to allow early retirees the option to continue supplemental coverage. In addition, staff recommends that PERS discontinue this option for eligible early retirees of the university system allowing them only to continue the \$1,300 basic life benefit available to all other similarly situated retirees. The policy would be effective July 1, 2003 and would be applied on a prospective basis in order to grandfather the seven university system retirees currently carrying supplemental group life coverage.

Mr. Sage moved approval of continuing the current benefit for early retirees of the university systems and colleges as well as expand it to the general membership. Mr. Gunkel seconds.

Ayes: Baetsch, Gunkel, Sand, and Sage.

Nays: Tabor and Chairman Strinden

Absent: Dwelle

PASSED

Ms. Allen indicated at the September meeting, staff notified the Board that ING proposed no increase in our current premiums for the 2003-2005 biennium.

Ms. Tabor moves approval of ING's renewal for the 2003-2005 Biennium. Ms. Sand seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Late Premium Payment – Retirees (Board Action Requested)

Ms. Allen indicated at the March meeting, the Board reviewed an appeal related to the loss of health insurance coverage for a retiree due to non-payment of premium. The Board directed staff to follow-up with BCBS to determine why there was conflicting information contained on the two notices. Ms. Allen indicated that Chapter 71-03-05-03 of the administrative code specifies the following with regard to late premium payments for retirees.

“If the premium is not received by the due date, a late premium reminder is included in the next month’s billing. If the premium is not received by the next due date, a special notice is sent by certified mail. The notice advises the retiree that coverage will be canceled retroactively to the last day of the period for which payment was received if payment is not received by the first of the following month.”

Ms. Allen indicated that the present policy of PERS is to maintain the retiree’s coverage during the notice period. In order to comply with this policy NDPERS must pay the premium payment to BCBS on behalf of the retiree for the first month after payment is not received so the coverage will remain in effect for the month and not be cancelled by BCBS. If PERS does not receive a response to the late premium reminder sent with the following month’s premium notice, NDPERS must again pay the premium payment to BCBS to keep the coverage in effect in order to comply with the certified notice requirement.

Ms. Allen indicated that staff has developed several alternatives for the Board’s consideration. Those alternatives were in the board materials.

Mr. Gunkel moved approval of staffs recommendation to cancel coverage if payment is not received by the payment due date and notify member that they have 90 days in which to remit premium payment in full to reinstate coverage retroactive to the first day of the month following the last month for which premium was paid. Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Quarterly Health Graphs (Informational)

Mr. Reinhardt provided an over view of the graphs for the board.

BCBS Renewal (Informational)

Mr. Collins indicated that based upon the actions of the Board at the last meeting staff received the requested information from BCBS. The memo from BCBS was included in the board materials. Staff also asked them to conceptualize the amount of change that would need to occur in our plan design if we got a 0%, 25%, 50% or 75% increase in the employer contribution and had no employee contribution to offset the difference. The parameters for the plan designs were identified in paragraph 4 of the memo and the variable to be offset is the deductible.

Mr. Collins also indicated that the memo was forwarded to OMB.

Until the Governor releases his recommendation PERS will work with our committees to review plan designs and also to consider the following issues relating to active state employees paying a part of the premium.

- Should dual members have a different premium?
- Should premiums be based upon a fixed schedule or % of pay?
- Should lifestyle be a consideration in the premiums?
- Should enhancements be put into the plan if it increases employee premiums?
- How many tiers should we have for family coverage?

Given the above possibility of state employees having to pay a part of the premium staff has begun to review what this could mean to PERS administratively. One new task is that all state employees (13,444) would need to be re-enrolled if there is an employee premium payment. This would occur at the end of this biennium (April – June). This effort is not included in our budget for this biennium. Therefore staff is preparing a memo for OMB highlighting the additional appropriation PERS would need. For this to be granted it would need to be an emergency or deficiency appropriation for PERS and very likely a part of the Governors proposed bill that deals with these issues each biennium.

Chairman Strinden called for any other business.

Next meeting is scheduled for November 21, 2002.

The meeting adjourned at 10.25 AM.

Respectfully Submitted

Denise A. Curfman

Denise A. Curfman
Secretary, NDPERS Board

MINUTES

**North Dakota Public Employees Retirement System
Thursday, November 21, 2002
Blue Cross Blue Shield
107 West Main
Bismarck, North Dakota**

Members Present:

Video Conference

Chairman Jon Strinden

Mr. David Gunkel

Ms. Rosey Sand

Mr. Howard Sage

Mr. Weldee Baetsch

Ms. Tabor

Absent

Dr. Terry Dwelle

Others Present:

Mr. Sparb Collins, Executive Director NDPERS

Mr. Scott Miller, Attorney General's Office

Ms. Denise Curfman, NDPERS

Ms. Kathy Allen, NDPERS

Ms. Deb Knudsen, NDPERS

Mr. Bryan Reinhardt, NDPERS

Ms. Arvy Smith, Health Department

Ms. Connie Flanagan, RIO

Mr. Larry Brooks, BCBS

Ms. Rhonda Peterson, BCBS

Mr. Tom Tupa, INDSEA

Mr. Howard Snortland, AFPE

Mr. Steve Cochrane, RIO

Mr. David Peske, ND Medical Association

Ms. Rebecca Fricke, NDPERS

Ms. Sharmain Dschaak, NDPERS

Mr. Bob Thomas, SEI

Mr. Kevin Matthews, SEI

Chairman Strinden called the meeting to order at 8:31 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the October 24, 2002 NDPERS Board minutes.

Mr. Gunkel moved approval of the October 24, 2002 NDPERS Board minutes. Mr. Baetsch seconds.

Asset Allocation (Board Action Requested)

Mr. Bob Thomas and Mr. Kevin Matthews, Representatives of SEI, appeared before the board to review the asset allocation study they prepared. Mr. Kevin Matthews presented the following conclusions of the study:

- The actuarial accrued liability funded ratio is expected to decline for the next several years due to the smoothing of current and prior year asset losses.
- Inclusion of the cost of living adjustment provision will not effect the level or pattern of expected future requirements, however it will effect the funded level of the plan
- Increasing or decreasing the overall equity level in the portfolio by 10% will not significantly effect the pattern of the funded status for the next several years.
- The current portfolio is well diversified to provide protection in poor markets and will allow the plan to participate in a market recovery

Mr. Sage presented the recommendation of the investment subcommittee. Mr. Steve Cochrane, from RIO, indicated that a 60/40 mix is a classic design. Mr. Bob Thomas and Mr. Kevin Matthews concurred with the investment subcommittee's recommendation.

Mr. Sage moved approval of the investment subcommittee's recommendation of:

Large Cap Equity	30%	Small Cap Equity	10%
Intn'l. Equity	10%	Emerging Mkt Equity	5%
Dom. Fixed Income	24%	High Yld. Fixed Inc.	5%
Intn'l Fixed Income	5%	Real Estate	5%
Private Equity	5%	Cash	1%

Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle and Sand

PASSED

Salary Assumptions (Informational)

Mr. Collins indicated that the salary assumptions review the board had asked Segal to prepare were included in the board material. Mr. Collins reviewed the findings with the Board. Essentially, Segal concluded that there was no significant difference between the salary increase for the state and its participating political subdivisions.

NDPERS 457 Companion Plan 3rd Quarter 2002 Report (Informational)

Mr. Reinhardt reviewed the 3rd quarter 2002 investment report for the Deferred Compensation Companion Plan. Mr. Reinhardt indicated that the assets decreased to \$7.4 million as of September 30, 2002. The largest fund is still the VALIC Unallocated Fixed Account with over \$1.2million dollars. Fund returns for the quarter were mostly negative. It was noted that the use of the new funds increased during the period. As of September 30, 2002 there was \$780,065 in the 15 new funds. This is about 10.5% of total plan assets.

NDPERS 401(a) Defined Contribution Plan 3rd Quarter 2002 Report (Informational)

Mr. Reinhardt reviewed the 3rd quarter 2002 investment report for the Defined Contribution Plan. Mr. Reinhardt indicated that the assets fell to about \$7.2 million as of September 30, 2002. The

largest fund is the Fidelity managed Income Portfolio with 27% of the assets. Fund returns for the quarter were mostly negative.

Roll-In Provision (Board Action Requested)

Ms. Rebecca Fricke appeared before the Board. Ms. Fricke indicated that NDPERS has submitted legislation to allow PERS to accept 457 and 403(b) funds for the purpose of purchasing service credit within the Defined Benefit Plan. This change in the Century Code was requested due to changes on the federal level with the passing of EGTRRA. If passed, the effective date would be August 1, 2003. At this time, staff would like to begin preparing for this change. Ms. Fricke indicated, currently NDPERS is able to accept roll-ins from qualified plans for the purpose of purchasing service. Staff has developed policies to administer the purchase of service with qualified plans. The policies were included in the board materials. Staff is suggesting the same policies for 457 and 403(b) transfers.

Mr. Gunkel moves approval of staff recommendation to adopt current roll-in policies to apply to all types of roll-in purchases (qualified and non-qualified plans). Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Late Premium Payment Rule (Informational)

Ms. Allen indicated that at the October meeting the Board adopted a new administrative procedure for processing late premium payments from retirees. Staff has reviewed the implications of this new procedure and has determined it can be implemented subject to the following:

1. It will be necessary to change our billing cycle which will require some programming changes. We are in the process of defining these criteria in order to submit a request for a cost estimate to ITD. Whether we can move forward with programming will be contingent on ITD's cost estimate.
2. The system must also be programmed to generate a letter notifying the member that coverage is cancelled and the policy for reinstatement. This too is contingent on the cost estimate provided by ITD.
3. Currently Chapter 71-03-05-03 sets forth the late premium policy for retirees. This policy requires a late premium reminder for the first month past due and a certified letter when the account is two months past due. Based on a review by our legal counsel, it appears it will be necessary to amend this chapter and promulgate new rules before we can implement the provisions of this policy.

Ms. Allen indicated that staff will continue to refine the details for implementation of this policy and will update the Board as necessary.

Transfer Procedures (Informational)

Ms. Allen indicated at the July meeting, the Board approved to standardize the enrollment requirements that apply to employees that transfer from one covered employer to another covered employer. This determination was made on the basis that currently to maintain the continuity of coverage under the retirement and FlexComp plans the employees record is transferred to the new employer and for the group insurance programs the individual is treated as a new employee and required to re-enroll for coverage. Staff has reviewed the implications of this policy and determined that PERS can make the changes necessary to administer this provision.

Ms. Allen indicated that staff will work to implement this policy effective July 1, 2003. This will allow PERS ample time to begin the communication effort to participating employers.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Legislation (Board Action Requested)

Mr. Collins indicated that in recent months the Board has reviewed the technical and actuarial comments on the proposed legislation and reviewed the actuarial valuations for all of PERS retirement plans. As a result of these actions we have:

1. Suggested amendments to proposed legislation, and
2. Withdrawn all PERS proposals that have an actuarial effect.

The Legislative Employee Benefits Committee and legislative sponsors have considered our suggestions.

At this point all bills are being returned by Legislative Council to the sponsors for their final consideration. If the sponsors want to move forward with the bills they will need to submit them by a specific date to Legislative Council for consideration in the upcoming session.

Mr. Collins indicated that staff is seeking the board's direction or approval:

1. To submit the bill drafts numbers 53, 57, and 59 proposed prepared by PERS
2. On what position to take on bills sponsored by legislators that will likely be submitted.

Secondly, Mr. Collins asked the Board for direction on what position the agency wanted to take on bill drafts that had not been prepared by PERS. It was noted that PERS has taken a neutral position in the past on bills and provided technical comments to the legislature. During discussion it was noted that two bill drafts may have a negative impact on the defined benefit plan. Those bill drafts are #18 and #28. On bill #18 it was noted that the recent memo from GRS states:

The analysis above shows that, without additional funding, if the optional DC plan is enacted, PERS will end up worse off than if the DB plan had remained as the mandatory retirement vehicle for all employees. With the optional DC plan, PERS will have a higher unfunded actuarial accrued liability, a lower funded ratio, and the negative margin—the difference between the 4.12% statutory employer contribution rate and the Board's benchmark employer contribution rate will be larger.

It was decided to ask GRS to attend the next Board meeting via conference call to discuss this finding. I was decided to defer the discussion on these two bills until the next meeting.

Mr. Sage moved to take a neutral position on all non PERS bills except 18 and 28. Mr. Baetsch seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Tabor, and Chairman Strinden.

Nays: None

Absent: Dwelle

PASSED

Discussion followed on bills 18 and 28. It was determined to bring GRS in via conference call at the next meeting to discuss bills 18 and 28.

Personnel Policy (Board Action Requested)

Ms. Allen reviewed several suggest revisions to the Policy Manual.

Chapter 2: 2.5 - Hiring Policy/Background Checks: It is the policy of NDPERS to exercise reasonable care in hiring employees by conducting a thorough background check on all candidates selected for hire, regardless of the position and prior to the candidate reporting to work.

Chapter 9: 9.5 –Sick Leave Policy: If you become ill while at work, it is your responsibility to notify your supervisor before leaving the office. It is NDPERS policy to provide for transport assistance upon your request or if management deems it advisable based on observed symptoms or the nature of the illness.

Ms. Sand moved approval of policy changes. Ms. Tabor seconds.

Ayes: Baetsch, Gunkel, Sand, Tabor, and Chairman Strinden.

Nays: Sage

Absent: Dwelle

PASSED

Discussion followed as to whether the personnel policy changes should come before the Board. It was decided that after the upcoming legislative session a meeting would be called to clarify.

Emergency Commission Request (Informational)

Mr. Collins indicated that a request to the Emergency Commission had been filed. The request was for a line item transfer from contingency to operating and also that the 75% limitation for the operating line item be waived. The Emergency Commission met on Tuesday, November 19, 2002 and approved the request.

Mr. Collins indicated that the request has been granted.

July 9, 2002 PERS Audit Committee Minutes (Informational)

The July 9, 2002 PERS Audit Committee Minutes were provided in the board materials for the boards review.

Chairman Strinden called for any other business.

Next meeting is scheduled for December 19, 2002 at Blue Cross Blue Shield, Bismarck.

The meeting adjourned at 11:15 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*

MINUTES

**North Dakota Public Employees Retirement System
Thursday, December 19, 2002
Blue Cross Blue Shield
107 West Main
Bismarck, North Dakota**

Members Present:

Video Conference

Chairman Jon Strinden

Mr. David Gunkel

Ms. Rosey Sand

Mr. Howard Sage

Mr. Weldee Baetsch

Dr. Terry Dwelle

Absent

Ms. Sandi Tabor

Others Present:

Mr. Sparb Collins, Executive Director NDPERS

Mr. Scott Miller, Attorney General's Office

Ms. Denise Curfman, NDPERS

Ms. Kathy Allen, NDPERS

Ms. Deb Knudsen, NDPERS

Mr. Bryan Reinhardt, NDPERS

Mr. Larry Brooks, BCBS

Ms. Rhonda Peterson, BCBS

Mr. Tom Tupa, INDSEA

Mr. Howard Snortland, AFPE

Mr. David Peske, ND Medical Association

Ms. Chris Runge, NDPEA AFT 4660

Chairman Strinden called the meeting to order at 8:33 AM.

Minutes

Chairman Strinden called for any questions or comments regarding the October 24, 2002 NDPERS Board minutes.

Mr. Gunkel moved approval of the November 21, 2002 NDPERS Board minutes. Ms. Sand seconds.

Governor Hoeven's Executive Budget Recommendation (Informational)

Mr. Collins indicated that on December 4th, Governor Hoeven released his Executive Budget recommendations. The following were in the recommendation:

- The compensation package continues full health insurance coverage for state employees and their families. The total cost for the health insurance coverage is \$493.00 per month per employee. This is a 21% increase over last biennium.
- Approves addition of 1.0 FTE for administrative support in the group insurance division. These duties are presently being handled by temporary staff.
- Adds 1.0 FTE to conduct internal audits of programs administrated by PERS. These duties are presently being handled by temporary personnel.
- Includes \$250,000 contingency line to provide funding for HIPAA compliance.

Not funded in the recommendation:

- The IT work plan enhancements including the addition of .5 FTE (\$76,284)
- Newsletter/travel (\$23,269)
- Video Conferencing (\$18,500)

Mr. Collins also indicated that he spoke to PERS budget analyst (Lori Laschkewitsch) who indicated that OMB was considering proposing in PERS appropriation bill that line item transfers from the contingency line could be approved by the PERS Board rather than having to go to the Emergency Commission. The reasoning is that this has already been reviewed and approved in the budget process by the Governor and the Legislature.

Mr. Collins indicated that the PERS appropriation hearing is January 23, 2003.

FlexComp – Voluntary Payback of Contributions (Informational)

Ms. Allen indicated that it has been the practice of PERS that when a FlexComp participant terminates employment, a letter is sent notifying him/her of the status of their medical spending account. In the situations where the participant has received reimbursements greater than his/her contributions, we notify the terminating employee that he/she may voluntarily elect to repay their account. We asked our consultant, The Segal Company, to review this practice as it is unclear based on reference material used in-house whether or not this practice is appropriate.

Based on Segal's interpretation of the regulations, a plan can not accept the payback of contributions, even if they are made voluntarily because additional contributions may be made only under a COBRA election. In order to uniformly permit voluntary repayment of overspent accounts, PERS needs a policy to offer COBRA coverage to all terminating participants, regardless of whether their account is overspent or under spent. With this policy, the employee has the option to elect COBRA and continue to pay those premiums to the plan for a period of months not to exceed the end of the plan year.

Based on this information, the new Plan Document includes a section outlining the COBRA continuation requirements for all terminating employees in section 3.05. Allowing this option is consistent with Segal's interpretation of the Section 125 regulations.

FlexComp Plan Document (Board Action Requested)

Ms. Allen indicated that the new FlexComp Plan Document, prepared by The Segal Company, was included in the board materials for review. Ms. Allen indicated that it was necessary to have the document rewritten due to changes and clarifications to the Federal regulations as well as to include the COBRA continuation rights.

Ms. Sand moved approval of the new plan document. Mr. Baetsch seconds.

Ayes: Baetsch, Gunkel, Sand, Sage and Chairman Strinden.

Nays: None

Absent: Dwelle and Tabor

PASSED

2003 Board Meeting Schedule (Board Action Requested)

Ms. Sand moved approval of the 2003 Board meeting schedule with the exception of January 23, to be moved to January 22, 2003. Mr. Sage seconds.

Ayes: Baetsch, Gunkel, Sand, Sage and Chairman Strinden.

Nays: None

Absent: Dwelle and Tabor

PASSED

Legislation (Board Action Requested)

Mr. Collins indicated that at the November Board meeting the Board had expressed concerns relating to bill #18 and bill #28 as they may have a negative impact on the defined benefit plan, and whether or not the DB plan will be harmed by the addition of the DC plan. Mr. Chris Conradi, from GRS, reviewed the concerns with the Board via conference call.

Mr. Gunkel moved approval of staff recommendation on bill #18 for the Board to take a neutral position on the bill and propose:

- **To pursue the following amendments:**
 - **Add appropriation for implementation (\$340,648)**
 - **Add authority for BND loan (\$507,588)**
 - **Work with RIO to determine transfer costs and add that into BND amount.**
 - **Existing employees will be required to attend an education session.**
 - **Allow new employee beginning work on or after August 1, 2003 to be treated like new employees to the existing DC plan.**
 - **Change filing date from 12:01 to 5pm**
 - **Change method to a % of payroll rather than assets.**
 - **Provide a provision for disability insurance**
- **To seek an additional amendment to increase the employer contribution by .28% based upon the cost identified by GRS.**
 - **To express in PERS testimony its concerns about "pension adequacy" for participants of this system.**

On Bill #28, to take a neutral position on the bill. To seek an amendment to increase the employer contribution to pay the cost of .07 or seek a lump sum payment from the State Mill & Elevator for past service liability.

Mr. Baetsch seconds.

Ayes: Baetsch, Gunkel, and Chairman Strinden.

Nays: Sage and Sand

Absent: Dwelle and Tabor

PASSED

Update on Federal and State Issues (Informational)

Ms. Cathie Eitelberg, National Director, Public Sector Marketing, from The Segal Company, appeared before the Board via video conference. Ms. Eitelberg presented a presentation to the Board on recent developments at the state and federal level concerning employee benefits.

Asset Allocation (Board Action Requested)

Mr. Collins indicated that at the last meeting the board approved a new asset allocation for PERS. Included in the board materials was the updated "Statement of Investment Policies" based upon the new asset allocation.

Ms. Sand moved approval of the update "Statement of Investment Policies". Mr. Gunkel seconds.

Ayes: Gunkel, Sand, Sage and Chairman Strinden.

Nays: None

Absent: Dwelle, Tabor and Baetsch

PASSED

Smoking Cessation (Board Action Requested)

Mr. Collins indicated that last summer the board decided to move forward with a smoking cessation program in the eastern part of the state with the Tobacco Dependence Treatment Center (TDTC) located in Fargo. The center was grant funded by the Dakota Medical Foundation. However, during the summer they lost their grant from the Foundation. Staff had several conference calls with BCBS and Ms. Myra Ohlson from the center to determine if this was a problem. Staff also conducted a site visit in October. Staff was told in the fall that the TDTC was prepared to move forward with our project.

Staff was informed in mid November that Ms. Ohlson was leaving the Center. Staff met with Ms. Susan Bosak on November 22, in Fargo. Staff was informed at that time that the Center wished to suspend discussion on providing this service to PERS members until its board could consider how to proceed. Consequently, staff recommended waiting to start any new program until the next biennium due to the limited time remaining this biennium.

Ms. Sand requested staff to aggressively pursue other Centers, and to keep the Board informed.

No action was taken at this time.

Health Officer (Board Action requested)

Mr. Collins indicated that he received a letter from the AFPE concerning proposed legislation by the health department relating to the deputy health officer. The proposed legislation allows the deputy to serve on the various committees in lieu of the health officer. Dr. Dwelle, State Health Officer, discussed with the board the proposed legislation on whether or not the board needed a physician member to assist with health plan issues.

Ms. Sand motioned the appointee must be a physician. Mr. Baetsch seconds the motion.

Ayes: Baetsch, Sand, Sage.

Nays: Gunkel, Dwelle and Chairman Strinden

Absent: Tabor

FAIL

HIPAA (Informational)

Mr. Collins indicated that in May staff reported to the Board the effect of HIPAA on PERS. This has become a major work effort for the agency. Mr. Mullen is PERS's attorney relating to this issue and has been designated to handle HIPAA for all state agencies. Mr. Mullen appeared before the Board to provide an overview of these requirements as they related to PERS.

HIPAA Update (Informational)

Mr. Mullen indicated the four major areas PERS has been working on which was contracting, privacy, security and transactions. Concerning contracting Mr. Mullen has completed an

analysis relating to PERS. Concerning privacy, Mr. Mullen indicated that in order to meet the compliance requirements of the Privacy Rule it was necessary to develop detailed policies and procedures to meet the standards. Mr. Mullen reviewed the implementation requirements with the Board. Concerning Security, Mr. Mullen indicated to meet requirements in the area of security for HIPAA, an initial survey of NDPERS was completed in November, using the "Early View" software sponsored by NCHICA. (North Carolina Healthcare Information and Communication Alliance, Inc.) Completion of the 500 question survey instrument indicated that a considerable amount of work effort will be needed in this area. Pursuant to the survey results, staff will be reviewing procedures and drafting security policies with possible procedure revisions. Mr. Collins indicated that a draft procedures and policies will be incorporated into a Security manual and NDPERS staff will subsequently be trained on its contents. It is anticipated that the manual will be completed in the spring. Concerning Transactions, Mr. Mullen indicated that an assessment of the transactions subject to HIPAA reporting standards was performed this summer. The following two types of transactions were identified as being subject to the EDI Transaction Standards:

1. Premium payment data provided electronically to BCBS by PERS
2. Premium payment data provided electronically to PERS from employers

In October, staff met with BCBS to review the reporting requirements for premium payment. PERS currently provides premium payment information in an electronic format; however, it maybe necessary to modify this file to meet the EDI Standards. The requirements for this file have been determined and will be submitted to ITD for a cost estimate. Also in October PERS submitted its request for an extension to meet the transaction requirements as set forth in the federal regulations.

Currently, PERS does not receive premium payment information electronically from any of the employers covered under the group insurance program. However, under HIPAA, we must be able to accept this type of information electronically if it is submitted in the standard format. Staff is currently reviewing these requirements and making an assessment of what changes, if any, need to be performed to meet this requirement.

HIPAA Privacy Policies (Board Action Requested)

The Board reviewed the proposed privacy policy and Ms. Allen handed out a revised Participant Authorization Form. The following policies have been developed and reviewed by legal counsel:

Legal Documents

- Notice of Privacy Practices
- Participant Authorization Form

Privacy Policies & Procedures

- Notice of Privacy Practices
- Use of Authorizations
- Disclosure to the Plan Sponsor
- Participant Privacy Rights
- Participant Requests for Restrictions on the Use and/or Disclosure of PHI
- Participant Requests for Confidential Communications
- Participant Requests for Access to PHI for Inspection and/or Copying
- Participant Requests to Amend PHI
- Requests for an Accounting or Disclosures of PHI
- Minimum Necessary uses of PHI
- Minimum Necessary Disclosures of PHI

- Minimum Necessary Requests for PHI
- Privacy of the PHI of Deceased Participants
- Workforce Privacy Training
- Sanctions for Privacy Violations

Ms. Sand moved approval of all documents including amended Authorization form. Mr. Sage seconds.

Ayes: Baetsch, Gunkel, Sand, Sage, Dwelle and Chairman Strinden.

Nays: None

Absent: Tabor

PASSED

Chairman Strinden appointed Mr. Gunkel to take over meeting as Chair at 11:10 AM.

Surplus/Affordability Update (Informational)

Mr. Reinhardt provided an over view of the report for the board.

Annual Enrollment-Dental and Vision (Informational)

Ms. Allen reviewed the outcome of this year's dental and vision annual enrollment for active and retired members.

Mr. Gunkel called for any other business, hearing none asked for a motion to adjourn the meeting.

Ms. Sand moved approval to adjourn the meeting. Mr. Baetsch seconds.

Meeting adjourned at 11:12 AM.

Respectfully Submitted

Denise A. Curfman

*Denise A. Curfman
Secretary, NDPERS Board*